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**REVIEW**  
**OF THE**  
**CO-OPERATIVE MOVEMENT**  
**IN INDIA 1939-46**



**BOMBAY**  
**1948**

# FOREWORD

The first Review of the Co-operative movement in India by the Reserve Bank was published in the year 1941 and covered the period 1939-40. Its purpose was explained in the foreword to the publication. The Review was based on the statistics furnished to the Bank by the Registrars of Co-operative Societies in the various provinces and states and the annual reports submitted by them to their respective governments; and the publication was meant to be an annual one. But owing to shortage of paper it had to be suspended and this is the next Review that the Bank has issued. It ends with the close of the official year 1945-46. It may, therefore, be felt that the publication of the Review is somewhat belated and it may be that the time lag detracts from its usefulness to an extent. The delay, though unfortunate, was inevitable as we had to depend on the Registrars' reports and statements of figures; and owing to their own particular difficulties they were slow in sending them. Yet the Review, covering an interesting and perhaps a critical period in the history of the Co-operative movement in India, might prove of interest and value to the co-operator. We published the statistics for the period ending 1944-45 in the month of August 1947, along with a pictorial supplement, and the Statements for 1945-46 have just been published; this Review may be taken as a commentary on the same, explaining and interpreting the figures.

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*The 10th May, 1948.*

# CONTENTS

Chapter	PAGE
I. INTRODUCTORY—THE GENERAL TREND OF THE MOVEMENT .. .. .	1
II. THE PROGRESS OF THE MOVEMENT DURING THE PERIOD UNDER REVIEW AND ITS PRESENT POSITION .. .. .	6
(i) Agricultural Credit Co-operation .. ..	6
(ii) Agricultural Non-credit Co-operation ..	12
(iii) Long-term Credit and Land Mortgage Banks	29
(iv) Non-agricultural Co-operation—the Urban Credit Movement .. .. .	35
(v) Non-agricultural Co-operation—the Urban Non-Credit Movement .. .. .	43
(vi) Central Financing Institutions :	
Central Banks and Banking Unions ..	60
Provincial Banks .. .. .	66
III. CO-OPERATIVE EDUCATION AND TRAINING; AUDIT, SUPERVISION, INSPECTION AND LEGISLATION .. .. .	70
IV. REHABILITATION AND REORGANIZATION	81
V. THE STATE AND THE CO-OPERATIVE MOVEMENT .. .. .	88
VI. CONCLUSION—POSSIBILITIES OF THE MOVEMENT .. .. .	107
APPENDICES.	

## CHAPTER I.

### INTRODUCTORY—THE GENERAL TREND OF THE MOVEMENT

At the time the last Review was published, the second World War had been in progress for just a year and the Co-operative movement was struggling to find a new equilibrium and a basis for further advance. Though one could discern signs of certain new developments in the co-operative structure, the trends which were likely to disclose themselves in the economy of the country on account of the impact of war were not clear at that time, nor were the visible reactions to the war-time influences the same in all the provinces and states. The full impact of the war, however, made itself felt only during the period covered by the present Review. These were years of intense warfare when every type of economic activity had to undergo changes of an unprecedented nature. In broad outline, there was a growing demand for all commodities coupled with insufficient supply, and the result was a continuous mounting up of prices of those commodities. To the agriculturist, this naturally meant an increased money-income. While this factor of the rise in prices of agricultural produce reduced the importance which credit played in the agriculturist's life, it also brought in its wake the need for organizations to ensure him a regular supply of the various necessities of life and the things needed for production at reasonable rates, which he could not otherwise obtain in the face of short-supply and black-marketing. Nor was it the agriculturist alone who suffered by short-supply and unfair dealings. The ordinary citizen too felt the pinch and the situation cried for remedy. It was this phenomenon, which more than anything else, brought about a welcome change in the very course of the Movement itself. One would not, therefore, be far in the wrong if one suggested that the greatest contribution of the war to the Co-operative movement was the shifting of the emphasis from the credit aspect to its productive and distributive functions, or more generally, to its multi-purpose potentialities—a long-felt need for imparting that richness and balance which is necessary for the proper development of the Movement. The progress achieved in this regard has been substantial as can be seen from this Review.

It is in the consumers movement that we see the most noted advance. It shows itself most prominently in Madras where the number of societies and transactions have risen from 85 and Rs 23.77 lakhs respectively in 1938-39 to 1,346 and Rs 1,357.55 lakhs in 1945-46. These figures do not include the very many credit and sales societies which have taken up the work of consumers supply in addition to their normal business and their transactions in this line. This development is abnormal and could not have been possible but for the conditions prevailing throughout this period. Again both the military and civil needs of the country during this period have caused the creation of new types of producers societies and a marked growth in existing types. Thus weavers societies, milk supply unions and societies, fruit growers associations, cane-growers societies and several other societies for cottage industries all show heavy increases in their number and business. Unfortunately all India figures for such societies are not available and the figures for certain important provinces are given below. Madras is leading in weavers' societies which have grown from 174 in 1938-39 to 336 in 1946. Their sales have enlarged from Rs 7.37 lakhs to Rs 373.09 lakhs during the same period. Again Madras has seen the greatest development in milk supply societies which were 253 in 1946 as against 51 in 1938-39. The value of milk sold by them was Rs 42.55 lakhs in 1946 as against Rs 2.74 lakhs in 1939. The United Provinces and Bihar which have a large acreage under cane show a great increase in the cane unions. In Bihar the 826 cane societies in 1939 with a turnover of about Rs 40 lakhs have increased to 3,808 in 1946 with a turnover of about Rs 110 lakhs. Similar growth has taken place in the cottage industries societies of minor types though their transactions may not be very spectacular and several of them are only war time creations.

In addition to the developments on the non-credit side the war also saw a general improvement in the overall position of the Movement. From the following table it would be seen that there was an appreciable increase in the number of societies and members as well as working capital. In terms of percentages the increases since 1938-39 were 41.0, 70.6 and 54.0 respectively. Again in 1945-46 there was one society for every 3.8 villages and the population touched by the Movement was 10.6 per cent of the total as against one society for every 5.4 villages and 6.2 per cent respectively in 1938-39\*.

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\* On the basis of 1941 census figures

**Increase in the number, membership and working capital of co-operative societies in India.**

Period	(In thousands)		(In lakhs)		(In crores of Rs.)	
	No. of societies	Successive increase	No. of members	Successive increase	Working capital	Successive increase
1920-21 to 1924-25.	58	..	21.5	..	36.36	..
1925-26 to 1929-30.	94	36	36.9	15.4	74.89	38.53
1930-31 to 1934-35.	106	12	43.2	6.3	94.61	19.72
1935-36 to 1939-40.	117	11	50.8	7.6	104.68	10.07
1940-41 to 1944-45.	150	33	72.2	21.4	124.35	19.67
1938-39 .. ..	122	..	53.7	..	106.47	..
1939-40 .. ..	137	..	60.8	..	107.10	..
1940-41 .. ..	143	..	64.0	..	109.32	..
1941-42 .. ..	145	..	67.4	..	112.42	..
1942-43 .. ..	146	..	69.1	..	121.14	..
1943-44 .. ..	156	..	76.9	..	132.21	..
1944-45 .. ..	160	..	83.6	..	146.63	..
1945-46 .. ..	172	..	91.6	..	164.00	..

It would be seen from the table that, starting with the depression of 1929 till the outbreak of the war, the progress of the Movement was rather discouraging compared with the pre-depression period. During the war, however, the position improved as was reflected in the increase in the working capital from Rs. 106 crores in 1938-39 to nearly Rs. 164 crores in 1945-46. This increase in working capital, substantial as it was, could not be considered to be in proportion to the war-time inflation, and this was perhaps due to the societies themselves discouraging any large augmentation of funds owing to decreased demands on the same. Another important reason might perhaps be that the farmer, once he cleared his burdensome debts out of his increased earnings, lost further incentive to save and lapsed into his traditional habits of improvidence. A unique opportunity to augment their working capital through the expansion of members' deposits was thus lost by the agricultural societies. The changes in the loans and advances position of the societies during the period showed an improvement. It would be seen from the figures given in the table on page 4 that there had been an appreciable increase in the loan operations in the latter part of the war period, *viz.*, 1943, 1944 and 1945, and 1946. But looking at the figures relating to outstandings alone, one might be led to infer that co-operative financing did not play an important part during the war period. The outstandings which were Rs. 46.95 crores in 1939 actually declined to Rs. 43.74 crores in 1944, though they rose to Rs. 46.94 crores in 1945-46. A reference to columns 3 and 4 of the table would, on the other hand, show that

there had been a brisk turnover of co-operative business, particularly during the latter half of the period, the amount of fresh finance being as high as Rs 51.75 crores in 1946 as against Rs 26.41 crores in 1939. The low outstandings would, therefore, seem to be accounted for by repayments which tended to exceed the amount of fresh finance. The reduction in overdues, as could be seen from column 6 of the table, would indicate that, apart from promptly repaying the new loans taken, the co-operative borrower liquidated a good part of his old dues. Thus with a large turnover, accelerated repayments and shrinkage in the overdues, the societies gained in strength and vigour.

Loan operations of co-operative societies in India—1938-39 to 1945-46

Year	No of societies (in lakhs)	Loans made during the year to individuals (In crores of Rs.)	Loans repaid during the year by individuals (In crores of Rs.)	Loans out- standing from individuals (In crores of Rs.)	Of which over- due* (In crores of Rs.)
1	2	3	4	5	6
1938-39	1.22	26.41	24.36	46.95	14.05
1939-40	1.37	26.80	25.65	47.13	13.84
1940-41	1.43	26.23	25.96	46.75	13.47
1941-42	1.45	29.30	30.01	46.02	12.91
1942-43	1.46	32.98	34.87	44.13	11.77
1943-44	1.56	40.06	40.93	43.74	10.36
1944-45	1.60	41.76	42.12	44.99	9.16
1945-46	1.72	51.75	49.68	46.94	8.52

\* Excludes the overdues of provincial and central co-operative banks for which figures are not available.

This view is also confirmed by the improvement in the figures relating to societies under liquidation. Appendix No. 4 gives the number and working capital of working societies and societies under liquidation in the provinces and certain Indian states at the end of 1938-39 and 1945-46. In the latter year, 6.3 per cent of the societies were in the process of liquidation, as compared with 8.7 in 1938-39, the percentage being as high as 34 in Sind, 12 in Bombay, 16 in Assam, 35 in Travancore, 28 in Cochin and 12 in Delhi. The working capital involved at 2.2 per cent, was lower than the 1939 figure by 1.8 per cent, the percentage being 3 in the Central Provinces and Berar, 4 in Bengal and the Punjab and 16 in Travancore. The amount of working capital involved in the case of societies under liquidation is, however, still fairly large and probably it is due to the general endeavour made by co-operative



departments to purify the Movement as a whole by purging it of undesirable and weak institutions so that the remaining ones might grow in a healthy atmosphere.

Important as these developments are, they are very largely products of abnormal and artificial conditions engendered by the war. To what extent the progress achieved remains permanent when things revert to normality depends very much upon the innate strength which the institutions have gained during these years of favourable incubation and the earnest efforts made by co-operators to conserve it. It is encouraging to note that the Registrars are endeavouring to stabilise the gains and place the societies on a solid footing.

In the chapters that follow and in the appendices, only the main figures and statements have been given. For more details about the Movement, readers may kindly refer to the Statistical Statements relating to the Co-operative movement in India issued annually by the Reserve Bank.

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## CHAPTER II

### THE PROGRESS OF THE MOVEMENT DURING THE PERIOD UNDER REVIEW AND ITS PRESENT POSITION

#### (1) AGRICULTURAL CREDIT CO OPERATION

It is well known that the Co-operative movement in India has been essentially a credit movement from its very inception. A reference to the previous Review (relating to the year 1939-40) would disclose that the agricultural societies counted the largest among the number of co-operative institutions and even among the agricultural societies the credit societies formed nearly 85 per cent of the total. The Movement had touched very little the numerous other activities affecting the life of the cultivator.

The general belief to-day seems to be that the war has altered the situation and the previously existing notion that the Co-operative movement is purely a credit one is no longer true and that the non-credit aspect has gained prominence. This belief would appear to be correct to an extent for while there has no doubt been a marked increase in the activities of the credit societies both agricultural as well as non agricultural the improvement made by the non credit institutions has been very substantial. Even the credit institutions have taken to non-credit activities on an appreciable scale. The following table indicates the position —

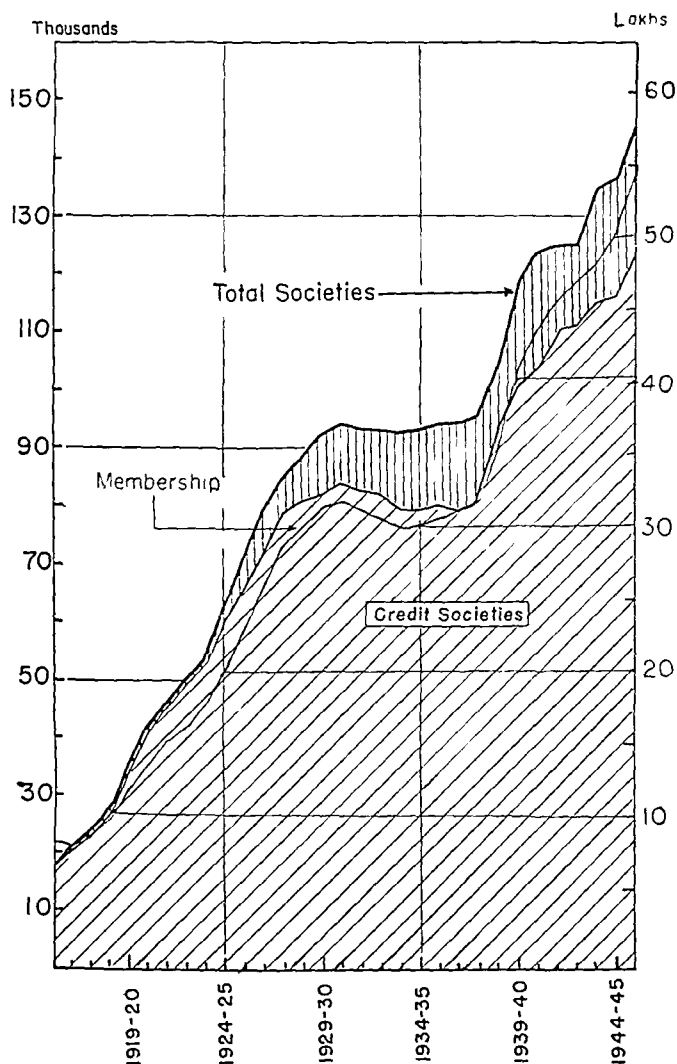
TABLE No. I  
Number of primary societies excluding land mortgage banks

	1938-39		1945-46	
	Thousands	Percentage	Thousands	Percentage
<i>Agricultural Societies</i>				
Credit	93.8	77.7	124.2	72.7
Non-credit	11.5	9.5	22.8	13.4
Total	105.3	87.2	147.0	86.1
<i>Non Agricultural Societies</i>				
Credit	6.7	5.5	7.5	4.4
Non credit	8.8	7.3	16.3	9.5
Total	15.5	12.8	23.8	13.9
GRAND TOTAL	120.8	100.0	170.8	100.0

Non-credit activities	
(goods members crores)	Purchase of members' products (crores)
Rs.	Rs.
0.9	1.0
2.6	3.2
2.0	2.1
2.1	2.3
4.5	4.1
7.3	6.2
2.4	6.9
7.5	11.3

# AGRICULTURAL SOCIETIES

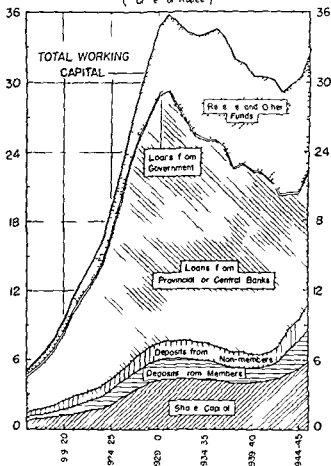
## NUMBER AND MEMBERSHIP



# AGRICULTURAL SOCIETIES

## WORKING CAPITAL AND ITS COMPOSITION

( Crores of Rupee )



It would, however, be seen that in spite of the improvement on the non-credit side, the importance of the credit societies still remains. Thus, in 1945-46 they constituted about 77 per cent of the total number of primary societies.

### Operations of Agricultural Credit Societies.

Separate statistics are not available in respect of the operations of agricultural credit societies alone.\* The Statistical Statements relating to the Co-operative movement in India published by the Reserve Bank, which constitute the only source of information on the subject, do not give separate data (apart from the number of societies) for the operations of agricultural credit societies which are included with those of other agricultural societies. Further, the statistics relating to agricultural credit societies contained in the annual reports of the various Registrars of Co-operative Societies are not always complete and comparable on an all-India basis. However, since nearly 85 per cent of the agricultural societies are credit institutions, the statistics relating to the agricultural societies as a whole would give a fair picture of the trends regarding the agricultural credit societies also.

The subjoined table gives a bird's-eye view of the progress of the agricultural societies during the period 1938-39 to 1945-46. It will be observed therefrom that there has been an all-round improvement in their financial position in general. The number of societies and membership have risen from 105.3 thousands and 3.6 millions to 147.0 thousands and 5.5 millions respectively. The paid-up share capital and reserves at Rs. 16.5 crores represent an improvement of about 30 per cent over the 1938-39 figure of Rs. 12.7 crores. The deposits position, however, was not very encouraging till 1942-43, but there has been a substantial increase during the subsequent three years, the amount at the end of June 1946 being Rs. 5.4 crores as against a range of Rs. 2.5 crores to Rs. 3.0 crores during the years 1938-39 to 1942-43. This increase in the important items which largely go to constitute the working capital should ordinarily have brought about a distinctly improved position in the working capital which, however, is not the case; the total amount under this head actually shows a decline from Rs. 31.6 crores in 1938-39 to Rs. 30.5 crores in 1944-45, though in 1946 some improvement is noticed with a rise in working capital to Rs. 33.0 crores. This is mainly accounted for by the fact that the amount of loans taken from provincial and central banks,

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\* For the year 1945-46, we have been able to get separate data as a result of special request. A Statement relating to 1945-46 alone is appended to this Review (Appendix No. 2). At this stage it is not necessary to say anything more than this, that the conclusions drawn with reference to the operations of agricultural societies as a whole are confirmed by the separate figures for credit societies alone referred to above.

including a nominal amount from Government, shows a substantial fall from Rs 16 1 crores to Rs 11 1 crores

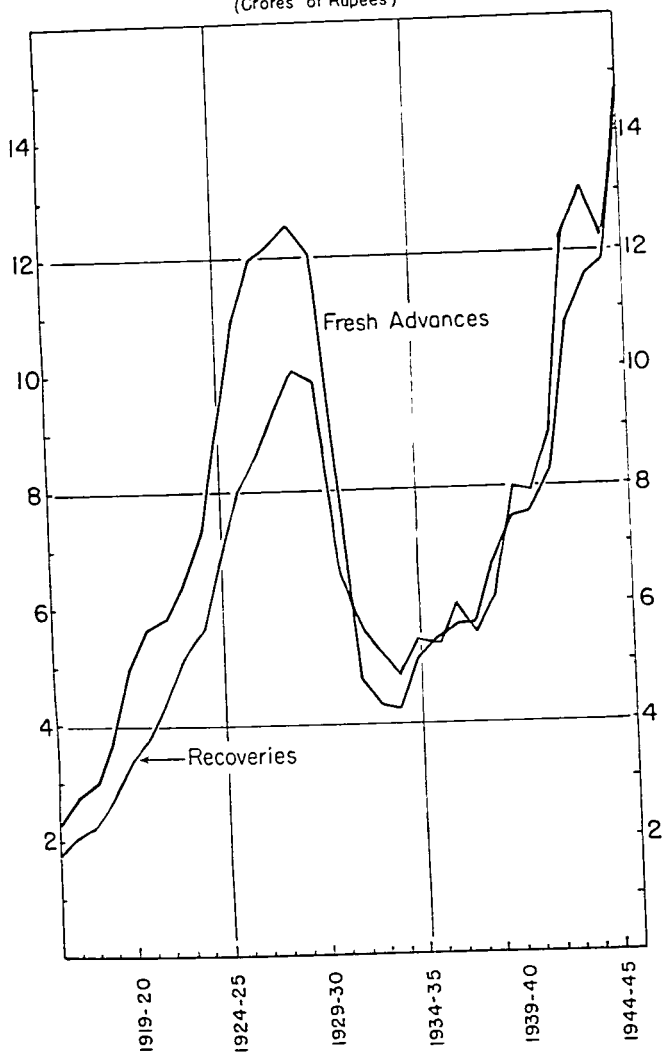
Such a decline should point to either of two things. One is that the funds of the institutions should have been in themselves adequate to meet the needs in a larger measure than before. The other is that there might have been a heavy decline in the demand for funds brought about by the favourable agricultural prices during the war. That the latter inference is not correct is borne out by the fact that the amount of fresh advances made have steadily increased from Rs 6 7 crores in 1938-39 to Rs 14 6 crores in 1945-46, the increase particularly during 1945-46 has been very marked at Rs 3 crores. The reason is, therefore, to be seen in the column relating to recoveries from which it will be clear that recoveries have generally tended to exceed the amount of fresh loans resulting in the decline of the outstanding loans from Rs 24 0 crores to Rs 18 9 crores. It would therefore, be seen that the main effect of the increase in agricultural prices has been to improve the repaying capacity of the borrower and not so much to reduce his need for fresh finance which, on the other hand, has risen with the cost of cultivation and maintenance. That there has been a distinct improvement in the financial position of the agricultural classes in general is also seen from the figures relating to overdues which have gone down from Rs 11 2 crores to Rs 6 2 crores. Much of the large amount of loans considered frozen and irrecoverable and to which pointed attention was drawn in the last Review was recovered and it was this liquefaction of frozen assets which placed the societies in a definitely better financial position.

Attention was invited in the previous Review to the fact that a fundamental defect in the working of the Co-operative movement was that the element of thrift in the Movement was small compared with many European countries and that the measure of dependence on external sources of finance was disproportionately large. Unfortunately, much the same position holds good even during the present time. In 1938-39 deposits contributed only Rs 2 8 crores to a working capital of Rs 31 6 crores. In 1945-46 there has been an improvement in the position, the deposits being Rs 5 4 crores out of a working capital of Rs 33 0 crores, but still deposits play an insignificant part when compared with the owned capital of Rs 16 5 crores and borrowings of Rs 11 1 crores. In 1945-46 the index number of wholesale prices of agricultural commodities (week ending August 1939 = 100) stood at 272 6 while the total deposits recorded an increase of less than 93 per cent over the figure for 1938-39. In the absence of more precise information (which the Reserve Bank is, however, endeavouring to collect) it is difficult to say whether this phenomenon is due to the fact that most of the members

# AGRICULTURAL SOCIETIES

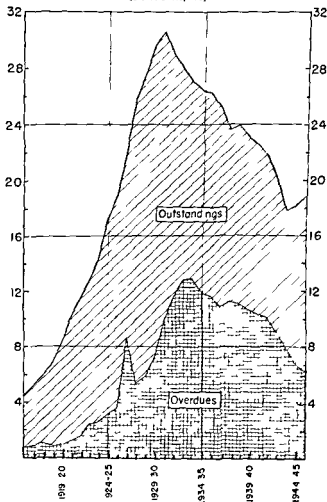
## FRESH ADVANCES & RECOVERIES

(Crores of Rupees)





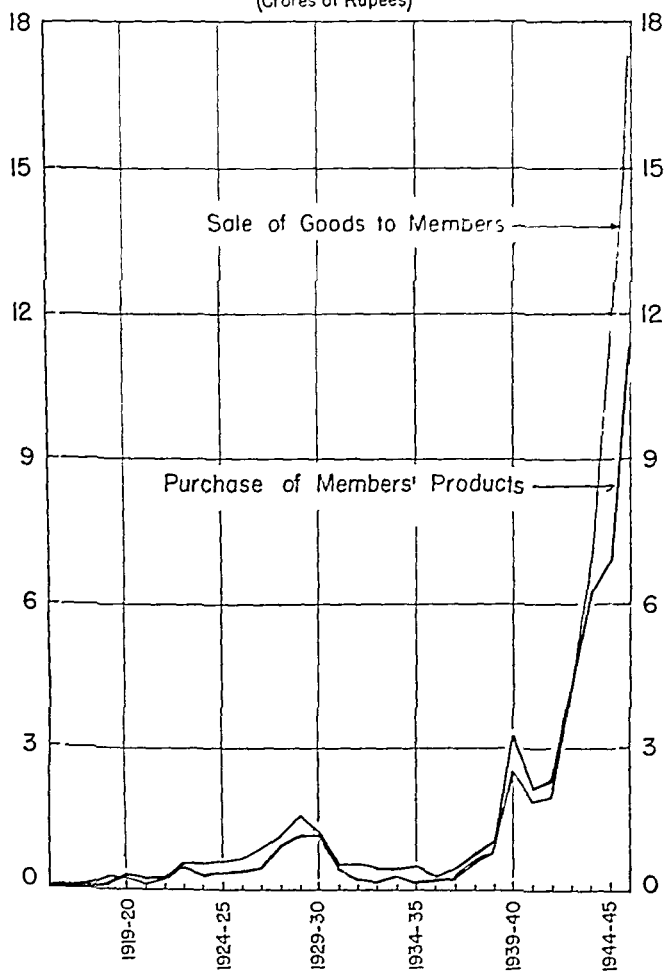
# AGRICULTURAL SOCIETIES OUTSTANDINGS AND OVERDUES (Crores of Rupees)



# AGRICULTURAL SOCIETIES

## NON-CREDIT ACTIVITIES

(Crores of Rupees)



of the agricultural societies are persons of small means whose increased income is perhaps offset by the higher cost of living and cultivation, or whether it is due to the lack of active efforts on the part of the co-operative institutions to tap and conserve the savings of the agriculturists.

The last two columns of Table No. 2 would deserve special attention as they indicate the extent of the development on the non-credit side of the activities of agricultural societies. The sale of goods to members and purchase of members' produce at Rs. 17·5 crores and Rs. 11·3 crores respectively at the end of 1945-46, represent an increase beyond all comparison over the figures of 1938-39, viz., Rs. 0·9 crore and Rs. 1·0 crore. It may be stated that the contribution the credit societies have made towards this development is about a quarter of the total turnover (*vide* Appendix No. 2). The scarcity for essential commodities caused by the war has called upon the Co-operative movement—consumers' stores in the case of cities and towns and the agricultural societies in general in the villages—to play its part in the equitable distribution of the available stock. The figures show that the agricultural societies have not failed in this respect. This aspect has been dealt with in greater detail elsewhere.

The all-round improvement referred to above does not, however, mean that the progress made has been of the same order in all provinces and states. While from the point of view of the number and membership of the societies, the province of Bengal would seem to be the most outstanding with 39,880 societies and 11·1 lakhs of members (*vide* Appendix No. 1), from the qualitative point of view it would seem to be the most disappointing area, with nearly 80 per cent of the outstandings, overdue. Again, the amount of fresh loans made and repayments during the period 1938-39 to 1945-46, at Rs. 0·41 crore and Rs. 0·52 crore per year on an average are the lowest figures recorded among the major provinces. Of the other provinces which do not seem to have fared well, mention may be made of the Punjab where the total working capital shows a big decline of Rs. 1·28 crores. Again, its outstandings against individuals in 1945-46 were less than half of what they were in 1938-39. But the overdues at Rs. 66·14 lakhs represented an increase of about Rs. 8 lakhs. Mention may also be made of the province of Bihar where the Co-operative movement underwent a process of intense rehabilitation. The total working capital of agricultural societies showed a huge decline of Rs. 85·36 lakhs at the end of 1945-46 as compared with that of 1938-39. The effects of rehabilitation are also seen in the decline of Rs. 74·72 lakhs in the outstandings. A welcome feature in Bihar has been that large overdues which falsely featured among the assets seem to have been

practically written off the amount outstanding being only Rs 11.21 lakhs in 1945-46 as compared with Rs 95.74 lakhs in 1938-39. Yet another welcome feature in this Province is that the value of members' produce purchased has risen from almost nothing *viz.* Rs 0.01 lakh to Rs 125.33 lakhs in 1945-46. The increase in this respect has been phenomenal during 1945-46 when the turnover became more than double that of the previous co-operative year. The credit for this goes to the cane marketing unions and the Agricole Scheme. Special mention may also be made of the progress achieved in Madras and Bombay where the Co-operative movement has developed more than elsewhere. The part played by these provinces on the non-credit side which more than anything else has been responsible for the sustained improvement in advances is dealt with in detail elsewhere.

### **Working of Multi purpose Societies and non-credit activities of Credit Societies.**

The move for broadening the functions of the primary society to embrace the entire life of the cultivator was gathering force even before the war. There was the feeling that one of the main reasons why the Co-operative movement in India made little headway was that it confined itself chiefly to the credit side. The type of society suggested for the purpose was the multi purpose society whose functions besides the supply of credit would include a number of activities like marketing and supply of the domestic and professional requirements of the cultivator. This aspect has gained considerable strength during the war years as will be evident from the following table which shows the working and growth of these societies in the United Provinces, Bombay, the Central Provinces and Berar and Bengal for which full figures are available. Multi purpose societies have also been organized to a certain extent in Madras, Coorg, Mysore, Hyderabad and Travancore.

The multi purpose societies besides supplying finance for agricultural operations also arrange for the marketing of the members' produce and for the supply of seeds, manure, implements and other requisites including food stuffs to the members. The table shows that the war time progress of multi purpose societies is particularly evident in the United Provinces, Bombay, Bengal and the Central Provinces and Berar where their number, membership, working capital, loan operations, activities in relation to the marketing of members' produce and supply of goods to members have increased substantially.

TABLE No. 3.  
WORKING OF MULTI-PURPOSE SOCIETIES IN SOME PROVINCES.  
(Rs. in thousands)

Details of working	United Provinces		Bombay		C.P. & Berar		Bengal	
	1940-41	1945-46	1940-41	1945-46	1940-41	1945-46	1940-41	1945-46
1. No. of Societies .. ..	2,214	6,692	70	264	14	104	33	218
2. No. of Members .. ..	57,269	148,271	3,476	20,925	1,370	10,745	44,228	76,898
3. Working Capital .. ..	28,50.6	80,37.7	1,90.3	24,60.9	35.8	3,12.3	127.0	22,81.5
4. Deposits from members ..	1,34.3	4,07.3	18.1	3,35.0	1.1	1,48.3	2.4	2,26.8
5. Deposits from non-members	49.7	91.1	23.0	3,70.7	12.1	4.7	2.2	36.2
6. Fresh loans to members ..	17,06.7	56,89.5	1,81.8	11,87.5	63.3	1,35.9	10.3	31.4
7. Repayments of loans by members .. ..	13,58.6	40,63.2	..	..	36.1	140.3	45.1	31.6
8. Loans outstanding with members .. ..	21,82.2	62,02.4	1,32.3	9,10.6	28.2	52.0	23.3	49.5
9. Loans overdue .. ..	3,14.2	4,37.7	17.9	1,67.3	0.1	5.7	21.8	13.4
10. Purchase of produce ..	92.8	1,67.0	28.7	11,34.3	0.5	5,28.5	67.0	11,19.8
11. Sale of goods.. ..	1,39.1	2,02.4	70.3	64,48.9	3.1	7,81.8	83.5	1,59,16.9

### Classification of Societies.

It will be observed from the audit classification of primary societies given in Appendix No 3 that, generally speaking, there has not been much improvement in the position during the period under review except in Bombay, Delhi Madras and the Punjab. In Bombay, the number of 'A' and 'B' class societies rose from 30.7 per cent in 1938-39 to 49.1 per cent in 1945-46 while in Delhi, the corresponding percentages increased from 19.2 to 47.3. In Madras, 'A' and 'B' class societies have risen from 19.3 per cent in 1938-39 to 22.8 per cent in 1945-46. In the Punjab, the increase was from 16.4 per cent to 27.3 per cent. The province of Coorg, small as it is, deserves special mention, the combined percentages of 'A' and 'B' class societies increased from 59.3 in 1939 to 90.9 in 1946. On the other hand, the position further deteriorated in Bengal and Sind where the combined percentages of 'D' and 'E' class societies increased from 25.4 and 10.7 in 1938-39 to 27.4 and 60.5 respectively in 1945-46. In all other provinces, societies classed under 'A' and 'B' constitute a very small proportion of the total number of societies. It may be noted in this connection that in the classification of societies, the standard employed does not appear to be the same nor strictly observed. Even so, the position disclosed by the classification is none too happy.

### Conclusion.

The account given above will make it clear that the war years witnessed in general a considerable improvement in the position of agricultural societies, though it was not uniform in all the provinces and states included in the Review. In particular, the position with regard to overdues which was a disquieting feature of the Movement (and to which attention was drawn in the Review for 1939-40) showed a substantial improvement. The war years also saw a diversification of the functions of the primary society and a shift in emphasis in favour of non-credit functions like consumers co-operation and marketing and the supply to the members of their domestic and professional requirements. This, however, is not a complete picture which on the other side shows a large number of liquidations, especially in the states, and little improvement in the societies classed other than 'A' or 'B'. Still, the impression is inescapable that the war years have succeeded in pulling this type of societies out of the crisis which threatened to overtake them during the depression period and placed them on a stronger foundation.

### (1) AGRICULTURAL NON CREDIT CO-OPERATION

Mention was made in the Review for 1939-40 of the increased emphasis of the Co-operative movement on non-credit aspects. Progress in this direction received impetus during the period

under review from two factors, both arising out of conditions created by the war. Firstly, with the inflationary increase in agricultural incomes, the repaying capacity of the borrowers increased greatly and, consequently, co-operative advances became more fluid than before. This apart, it is not unlikely that some of those who did borrow, found credit easy to obtain and at low rates from sources other than co-operative societies, as ample funds were available with the bigger landlords and also the money-lenders. Simultaneously, from out of the larger agricultural incomes, overdues to societies were being rapidly repaid. This resulted in abundant surplus funds being left with co-operative institutions. They were, therefore, compelled to seek new outlets for them and this they found in the finance of non-credit activities such as marketing and consumers' co-operatives.

Secondly, as black-marketing and profiteering were being extensively practised by private traders, distribution of essential supplies such as foodstuffs, milk, cloth, kerosene, matches, sugar and drugs to consumers and manure, seed, implements, cart-tyres and other requisites to agricultural producers and yarn to weavers, came to be entrusted more and more to co-operative societies by Government. Large war orders placed by the Defence and other departments of Government for supplies with co-operative agencies along with others, also helped to stimulate activities connected with production and supply. The non-credit aspects of the movement grew as a consequence.

While reviewing this it is not always possible to isolate the agricultural and the non-agricultural components of it, as in most cases the two types of societies are closely interlinked. The marketing of agricultural produce, for instance, is clearly "agricultural", although most marketing societies or unions have their headquarters at urban market centres. Similarly, milk unions are "urban" institutions and hence "non-agricultural", but nearly all the affiliated milk societies from which milk is drawn are rural. Cottage industries' societies, again, are located both in urban and rural areas and so are the consumers' organizations, which, at first mostly urban, are now spreading into rural areas. For the sake of convenience, however, the "agricultural" and the "non-agricultural" societies may be examined separately, those which relate to agricultural marketing and other predominantly agricultural activities being dealt with in this section, and those which deal with activities such as industrial co-operation, distribution of milk and consumers' goods in the following sections. Needless to say, the "multi-purpose societies" classified under credit societies are by their very nature engaged in non-credit activities also.

**(I) Co-operative Marketing—Progress of general marketing reform.**

The fundamental importance of a properly organized system of marketing for agricultural produce and the formidable difficulties confronting it have been stressed in the Review for 1939-40. As progress in this direction depends as much on general marketing reform as on the co-operative organization of agriculturists for marketing, the central and provincial governments continued their useful work of surveying marketing conditions, formulating grade standards, and attending to the development of marketing organization. By the end of 1945, 22 reports on the marketing of important commodities were completed\*. A Report on "The Co-operative Marketing of Agricultural Produce in India" was published by the Central Agricultural Marketing Department, in 1943, surveying the progress of co-operative marketing up to 1939-40. The marketing staff continued actively to assist co-operative societies and individuals in getting their produce graded and packed under the "Agmark" scheme, under which 'Agmark' labels or signs, issued by the Central Marketing Department, are attached to products graded and packed in grading stations under the supervision of the provincial marketing staff, indicating that their quality answers to certain prescribed standards. The quantities of produce thus graded and marked, steadily increased and new commodities such as gur, tobacco, and sunn hemp were brought within the scheme.

Legislation for the establishment of regulated markets for agricultural produce exists in Bombay, the Central Provinces and Berar, Madras and the Punjab, and among the states, in Baroda, Gwalior, Hyderabad and Mysore. Marketing Acts were also passed in the North-West Frontier Province and Sind, but they do not appear to have been enforced yet. The Agricultural Produce (Grading and Marking) Act, 1937 passed by the Government of India for defining standards of quality and methods of marking in respect of prescribed grade designations applied to certain scheduled products, was amended in 1942 for applying it to border line products such as lac and myrobalans, and in 1943, to provide for recovering from the trade the cost involved in grading, marking and popularising the graded products. Proposals for further amending the Act with a view to providing for the establishment of Agmark stalls where only duly authorized products may be sold and for penalties against misgrading or unauthorized use of scheduled grade designs are under consideration.

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\* These reports deal with the marketing of —(1) Wheat (2) Linseed, (3) Eggs (4) Tobacco (5) Grapes (6) Coffee (7) Potatoes, (8) Milk (9) Ground-nuts (10) Rice (11) Hides (12) Sugar (13) Citrus Fruits (14) Lac, (15) Skins, (16) Coconuts (17) Sheep and Goats, (18) Bananas, (19) Barley, (20) Gram, (21) Cashew nuts and (22) Cattle.



Such protective measures have become necessary because of the increasing popularity and reputation of 'Agmark' products. Legislation similar to the Agricultural Produce (Grading and Marking) Act has been enacted in Baroda, Mysore and Porbandar.

The need for standardisation of weights and measures, of which a bewildering variety is in existence in different parts of the country, led to the passing of the Standards of Weights Act of 1939, which was brought into force with effect from 1st July 1942. Standard sets of weights as prescribed in the Act were prepared by the Mint Master, Bombay, and supplied to provincial governments. Separate acts for the same purpose were also passed in Assam, Punjab, Orissa and Sind, while in the United Provinces and the North-West Frontier Province, standard weights were enforced by Defence of India Rules. Among states, Baroda, Jaipur, Hyderabad, Mysore and Patiala have also passed similar legislation. Though these measures have resulted in some improvement, more effective enforcement of the law is needed for the attainment of complete uniformity.

### **Organization of Marketing Societies.**

Co-operative marketing societies, besides arranging for the collection and sale of members' produce, also process it in some cases, for instance the cotton marketing societies. The jurisdiction of marketing societies usually extends over several villages. Unlike agricultural credit societies, they are organized on a limited liability basis, as they are trading organizations.

Owing to the capital costs involved and the risks of adverse price fluctuations, holding up of agricultural produce for a rise in price might often prove a dangerous venture, especially to co-operative societies with limited resources. Attention was drawn to this by the Preliminary Report of the Reserve Bank in 1937, and also by the Co-operative Review for 1939-40. The dangers of the proposition were demonstrated in Bombay in 1940 when the anticipated rise in prices not materialising, the holders of cotton and other produce had come to grief and a minor crisis among the cultivators of the Province occurred. Co-operative marketing societies now appear to have fully realized the undesirability of holding up produce for a price rise. Their policy generally is to sell members' produce on a commission basis, though they may purchase outright a limited quantity of produce. The common practice is for societies to enter into contracts with their members binding the latter for a stated period to deliver for sale to the society a specified proportion or the entire quantity of the produce. The produce so collected is sold in individual lots either by direct negotiation with purchasers or by auction. Pooling and grading

are exceptional and processing before sale is being done only by a few well organized societies such as the cotton sale societies of Gujerat which get the cotton ginned and pressed in mills owned by ginning and pressing societies

The progress of co operative marketing during the years under review in the several provinces and states is briefly reviewed below

*Bombay* —Since 1939 co operative marketing has registered noteworthy progress in the Bombay Province. The number of marketing societies rose from 94 in 1938-39 to 197 in 1945-46\*. Marketing societies have come to play an increasingly important part in the rural economy of the Province and steps are being taken to expand them rapidly in the areas to which the Bombay Agricultural Debtors Relief Act has been extended to facilitate disposal of produce belonging to persons who might be financed by co-operative societies. Experience has also shown that the bigger agriculturists usually averse to join credit societies because of their unlimited liability basis are willing to join marketing societies and take interest in their management. The Bombay Provincial Co-operative Marketing Society was formed in 1941 to provide a central agency for marketing products consigned from mofussil centres and to co ordinate the activities of individual societies. Due to war time difficulties and restrictions on the procurement and transport of produce the Society could not do very much in fulfilling its objects beyond establishing contacts with organizations in the districts. It however acted successfully as a central agency for the distribution of rationed articles to consumers stores for retail distribution for the purchase and sale of charcoal in

\* The rapid increase in the importance of marketing in the co-operative structure of Bombay can be seen by the following statement which compares the fresh finance supplied by agricultural societies with the sales of marketing societies

Year	Fresh Finance supplied by Agricultural Societies (Rs lakhs)	Sales of Marketing Societies (Rs lakhs)
1939-40	60.68	79.91
1940-41	62.37	114.68
1941-42	77.03	129.77
1942-43*	97.95	281.50
1943-44	89.81	128.05
1944-45	110.98	258.19
1945-46	128.97	417.65

Bombay City, and for the distribution of groundnut oilcake and chemical manure and paper to co-operative institutions\*. The cotton sale societies of Gujerat and Dharwar which have been an outstanding success, continued their valuable activities in the distribution of improved seeds and manure, arranging for ginning and pressing and insurance of members' produce. Similar societies were started in East and West Khandesh during the period under review, and through them a scheme for extending the cultivation of "Jarilla" cotton was successfully adopted. Societies engaged in marketing other products such as fruits and vegetables, chillies, mangoes, arecanut and gur, have also maintained satisfactory progress. The Provincial Government assisted the marketing societies by deputing experienced officers of the Co-operative Department to work as organizers, supervisors, and secretaries, for a period of two or three years, either entirely free of cost, or on part payment. Subsidies to cover initial deficits, if any, were also given for short periods. The present plans of Government envisage the establishment of at least one district purchase and sale union, or in the alternative, one or two good regional organizations catering for the needs of some well developed talukas, in each district.

*Madras* :—The number of marketing societies in Madras increased from 138 in 1938-39 to 189 in 1945-46, and their membership from 27,548 to 96,191. The majority of them continue to be engaged mainly in advancing loans on the security of produce, but there is an increasing trend towards undertaking other activities such as storage, processing and sale of produce, supply of pure seed, manure, implements and other requisites.† An important aspect of co-operative marketing in Madras is the 'controlled credit' scheme, which successfully links credit with marketing, and has received wide-spread approval as worthy of following. This scheme has now been extended to twenty districts in the Province. Another interesting feature is the formation of central marketing societies or marketing federations for a district or two in which marketing societies or individuals could become members, the object being to provide a co-ordinating agency which could collect produce and offer it for sale on a large scale. Five such federations are in existence, and they have been permitted to make outright purchases up to three times their paid-up capital. Some of them have been recognised as agents for the purpose of procuring food-stuffs by the grain purchasing officers and have turned out valuable work in that direction. They have also been able to establish direct contact with consumers' organizations, and supply goods to them.

\* In 1945-46, the Society sold agricultural products worth Rs. 2 lakhs, and vegetables worth Rs. 18,000 while it distributed consumers' goods worth Rs. 12 lakhs and manure worth Rs. 24 lakhs.

† Kindly see foot-note\* on page 18 for the table.

Unlike the marketing societies of Bombay, most of which deal only in one commodity, the societies in Madras deal in several though specialising in certain leading local products like paddy groundnut or tobacco. There are some special types of societies such as fruit growers' societies of which the Kodur Fruit Growers' Society in the Cuddapah District is the most important, and vegetable growers' societies such as the Nilgiri Potato Growers' Society, which has supplied large quantities of potatoes to the military and to other consumers.

The Madras Provincial Co operative Marketing Society, started in 1936 with a view to co-ordinating the activities of sale societies has mainly functioned as a central organization for supplying to individual or institutional consumers in the City of Madras certain goods such as fruit, products of cottage industries societies, and even things such as matches, shark liver oil, etc. It was permitted during war time to undertake retail business also. It does not so far appear to have been able to function successfully as a central organization for marketing societies.

The Madras Provincial Co operative Bank has helped the marketing movement by making free grants to central banks for the supervision and development of marketing societies, amounting to a total of Rs 53,750 during the six years 1940-41 to 1945-46. The Madras Government have assisted the movement by making grants up to 25 per cent of the cost in deserving cases and loans up to 75 per cent of the cost at  $3\frac{1}{2}$  per cent interest repayable in thirty years for the construction of godowns. Despite war-time difficulties in the way of construction, 89 godowns at a total

Year	Number of Societies	Membership	Paid up share capital Rs lakhs	Loans issued Rs lakhs	Value of Stock		
					Brought forward and received during the year Rs lakhs	Sold Rs lakhs	Released without sale Rs lakhs
1938-39	138	27,548	**	9. 86	179 05	4. 87	52 13
1939-40	149	36 787	**	107 30	230 52	44 76	109 34
1940-41	161	45 637	**	142 56	303 21	46 57	124 04
1941-42	170	54 840	**	147 07	373 37	75 33	174 46
1942-43	172	63,118	**	168 76	477 16	211 16	260 58
1943-44	181	76 641	8 71	139 18	412 91	91 35	191 32
1944-45	181	90 880	10 41	121 32	359 66	100 62	173 19
1945-46	189	98 191	12 67	118 64	362 15	124 60	157 34

\*\* Not available

cost of Rs. 5.13 lakhs were constructed by marketing and credit institutions by 1943-44. The Government have also recently (1947) formulated a five-year plan for expanding and improving Co-operative marketing in the Province. This aims at establishing a marketing society for every taluk centre, an increase in membership through which the bulk of the produce in each area could be brought into the society, and the establishment of nine more marketing federations, four for rice and five for groundnut, with their own rice mills and decorticating factories, for the construction of which Government would advance interest-free loans of Rs. 25,000 per rice mill and Rs. 50,000 per decorticating factory. The plan also aims at the construction of 250 large godowns and 280 smaller ones at a cost of Rs. 20,000 and Rs. 10,000 each respectively, half of the cost being given as a free gift and the rest as an interest-free loan by Government. Government would also provide trained staff to assist in the working of these societies.

*The United Provinces:*—Remarkable progress has been achieved in the United Provinces in the development of co-operative marketing, mainly of cereals and oilseeds, ghee and sugar-cane. The number of marketing unions for cereals and oilseeds increased from 75 in 1939-40 to 153 in 1944-45, and the value of produce handled by them from Rs. 8.44 lakhs to Rs. 51.97 lakhs. These unions have also taken up the distribution of pure seed for which they manage a number of seed stores. The ghee unions collect ghee from the village societies, arrange for its transport, testing, pooling and packing, and sell it mainly to wholesale merchants, and to a small extent, direct to consumers. Care is taken to maintain the quality of ghee, and members found guilty of adulterating it are expelled or subjected to heavy fines. The number of ghee societies rose from 607 in 1939-40 to 870 in 1944-45, membership increased from 12,500 to 20,000, and the value of ghee sold rose from Rs. 2.15 lakhs to Rs. 3.67 lakhs.

More important than the above are the cane societies, which were organized to protect the interests of cane-growers as against the factories and also to improve the quality of sugar-cane. These societies distribute pure seed and manure, advance funds to cover costs of cultivation and advise on improved methods of cultivation. They also undertake welfare activities for the village such as improvement of roads and repair of culverts. The societies are combined into 'cane development and marketing unions', which after a careful survey of the cane available before the crushing season, enter into contracts with the factories and prepare rosters for the supply of cane. Requisition slips are issued to members two days ahead of the date of supply, carts allotted, and at the weigh-bridge, the union's clerks watch weight and maintain

records of supplies. Supervision is also exercised at the time of the payment of price. Though the quantity of cane marketed by the societies has declined due to factors adversely affecting the crop, their number and membership have increased from 681 societies, 42 unions and 371 000 members in 1938-39 to 1 035 societies, 94 unions and 770 000 members in 1944-45. They supplied 10.57 crores of maunds of sugar cane constituting 70 per cent of the total cane supplied to the factories. This impressive record is largely due to the active assistance of the United Provinces Government in various directions. Special staff has been maintained for cane development since 1934-35 and subsidies have been given from the Government of India's grants from the Sugar Excise Duty Fund. Under the U.P. Sugar Factories Act, 1938, Government have also fixed minimum prices for sugar cane, prohibited direct purchase by mills of cane from members of cane societies, and laid down the commission to be paid to societies on purchase.

TABLE No. 4

*Progress of Co-operative sugar cane marketing in the United Provinces*

Year	No. of primary cane societies	No. of cane Unions	Membership of Unions	Quantity of cane supplied to the factories (in crores of maunds)	Percent age of the total cane supplied to the factories	Total villages covered
1937-38	477	28	63 000	2.76	16.3	2 000
1938-39	681	42	371 000	4.76	55.0	9 600
1939-40	839	66	461 000	12.77	79.0	13 800
1940-41	835	81	654 000	10.27	0.0	14 030
1941-42	850	85	688 000	7.90	75.0	16 120
1942-43	875	86	795 000	11.45	73.0	17 320
1943-44	920	87	760 000	15.32	75.8	18 780
1944-45	1 035	94	770 000	10.57	70.0	19 183

Source: J. P. Misra, *Co-operatives in the U.P.* p. 103

As in the case of other provinces, co-operative organisations of all types, including marketing unions, have been used for the distribution of essential supplies. The Provincial Development and Marketing Federation, inaugurated in June 1943 to co-ordinate and improve the activities of the marketing societies, has mainly engaged itself in the distribution of essential goods by opening a large number of branches and depots in places selected by district authorities. Its business amounted to Rs. 160 lakhs in the year 1944-45.

*Bihar* :—Cane-growers' societies have made good progress in Bihar too, their number increasing from 826 societies and 27 unions in 1939 to 3,808 societies and 57 unions in 1945-46, while the amount of business transacted increased from Rs. 40 lakhs to Rs. 110 lakhs. The constitution, functions and other features of these societies are similar to those of the societies in the United Provinces. Central societies called "co-operative development and cane marketing unions" have been formed to co-ordinate their activities. The growth and successful functioning of these institutions also is largely due to assistance from Government who have appointed special staff, and enacted legislation similar to that existing in the United Provinces for protecting the interests of cane-growers' societies.

*Other Provinces and States* :—The progress of co-operative marketing in other provinces continues to be slow and limited. In the Punjab, the commission shops of which there were 21, have increased their scale of activities, but their working has been unsatisfactory in several respects. Disloyalty of members has been their principal handicap, and most of their dealings have been with non-members. Paid managers have been appointed since 1943-44 to run most of these shops in order to improve their working. The Okara Zemindar Society consisting of large land-holders continued to work satisfactorily and increased its sales.

In Bengal, there are some marketing societies for paddy, working successfully, while almost all the jute societies have unfortunately failed. A Provincial Marketing Society has also been formed. In the Central Provinces and Berar, there were 87 co-operative agricultural associations in 1945-46 engaged in marketing, of which some were acting as agencies collecting food-grains for Government; their total sales in the year amounted to Rs. 1.35 crores. Coorg has 19 marketing societies, of which 13 are for paddy and 3 for cardamoms, and a Provincial Marketing Federation.

Among the states, noteworthy progress has been achieved by Baroda in regard to cotton; Travancore in respect of eggs, poultry and honey; Mysore in arecanut; and Hyderabad as regards cotton, groundnut, jowar, paddy and gur. Travancore, Mysore and Hyderabad have also organized central marketing societies for purposes of co-ordination.

### **The Future of Co-operative Marketing.**

Co-operative marketing has thus registered substantial progress during recent years in some parts of the country. The encouraging experience of this expansion as well as the intrinsic need for co-operative organization in marketing have led to plans

by provincial governments for a large-scale development of this aspect of Co-operation as a part of their post-war plans. Several authorities and committees which have reported on post-war agricultural problems have also recommended such an expansion, pointing out clearly the need to link closely the three important aspects of Co-operation, namely, finance, marketing and the consumers' movement\*. The establishment of licensed warehouses is also recommended as facilitating both storage of agricultural produce and the financing of marketing.

### **The Problem of Price Instability.**

An important problem which co-operative marketing organizations will have to face in the future is that of price instability. During the transition period, when shortages and controls continue, there may not be much difficulty, but when free trade and normal conditions are restored and controls are removed, there is a real danger that a price fall of considerable magnitude may occur both abroad and in India, which, unless great care is taken, may seriously affect the structure of Co-operation. There will also arise, as mentioned in the Review for 1939-40, problems of agricultural reorganization and readjustment in the light of altered technical and economic conditions, which, however difficult and intricate they may be, would have to be faced. While it is not possible to discuss the nature of these problems or their national and international implications here, it would not be out of place to mention the fact that the Prices Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries appointed by the Government of India, have recommended in their Report, a policy of price-stabilization and proposed detailed measures for it.

### **(2) Better Farming Societies.**

It has already been observed that co-operative activity, in order to be successful, should tackle all aspects of the agriculturist's life, preferably through multi-purpose organisations, and that most marketing institutions have successfully taken up development work. However, since multi-purpose Co-operation is still in the experimental stage, and because it may not be possible in some places to combine other activities with credit or marketing, separate "better farming societies" continue to be established to work for the improvement of agricultural technique. The objects of these societies have been briefly indicated in our previous Review

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\* Report on the Co-operative Marketing of Agricultural Produce in India (1943), Pages 118-119.

The Fourteenth Conference of Registrars of Co-operative Societies 1944, Resolutions Nos IV and V.

Report of the Agricultural Finance Sub Committee (Gadgil Committee), Page 45.

Report of the Co-operative Planning Committee Chapter V, Pages 64-67.



A society is generally formed for a village or a group of villages, membership being open to all the residents of the area who are either owners of land or tenants. The liability of members is limited, and the funds are raised through subscriptions, donations or deposits. Every member, on joining the society, is required to sign an agreement to the effect that he will adopt such improved methods of agriculture as the general meeting may direct. Expert advice is obtained from the Agricultural Department and made available to cultivators through the societies. The largest number of such societies exists in the Punjab, where there were 261 societies with 5,969 members in 1945-46, working successfully. In Bombay, the taluka development associations have been engaged on this work, and they have actively assisted the Agriculture Department in the "grow more food" campaign, carrying on propaganda, distributing seed and manure and assisting the agriculturists in other ways such as the control of pests and the representation of their grievances to Government. In 1945-46, there were 118 such associations with 123,485 individuals and 354 societies as members, and they spent Rs. 3.26 lakhs in furtherance of their objects. In addition, there were also 66 better farming societies. A scheme for starting a network of such societies, with a view to improving the general level of agriculture in certain selected areas by concentrated work, was approved by the Bombay Government in 1943-44. Agricultural improvement and demonstration societies in Madras did similar work and assisted the "grow more food" campaign. In the United Provinces, it is proposed to convert the existing better farming societies into marketing and development unions, which as already noticed, are doing similar work. Baroda has also been able to achieve some success in better farming and general welfare work through development associations.

### (3) Consolidation of Holdings Societies.

The extent of fragmentation of holdings, its effect on agriculture in India, the causes therefor, the need for remedial measures, and the various attempts towards consolidation have been so often expressed and discussed that they have practically become truisms. A re-statement of them here would, therefore, be unnecessary. Among the remedies suggested and accepted, co-operative consolidation plays the most important part. What has been achieved in this direction until 1940 has been mentioned in the previous Review and the progress made since then is given below.

The progress in this direction is necessarily slow because consolidating holdings in a village requires a good deal of time for preparing the ground by propaganda, evolving a plan satisfactory to all, and finally implementing it. In spite of such difficulties, the number of consolidation societies in the Punjab has increased from 1,477 on 31-7-1939 to 2,003 on 31-7-1946, their membership

from 1,60,782 to 2,57,913, and the area consolidated, from 10 75 lakhs to 15 43 lakhs acres, during the same period. During the year 1945-46, 67,650 acres were consolidated, reducing 4,99,874 plots into 84,421 blocks. The benefits of consolidation have been apparent in the promotion of agricultural efficiency as indicated by the fact that during the seven years ending 1945-46, 1,151 new wells were sunk, of which the year 1945-46 alone had a share of 700, and 512 old wells repaired in the consolidated areas. Other co-operative activities such as better living and better farming have found a highly congenial atmosphere in these villages and shown good progress. As Mr F L Brayne puts it, consolidation "binds the whole village together, and people who have by their own self-helping efforts overcome the tremendous obstacle of fragmented holdings and have defied the customs of ages to do so are in a material and spiritual condition to carry out any reforms and improvements necessary to raise their standard of living and maintain it at that new level"\*

Among other provinces, the Central Provinces and Berar and the United Provinces have used a certain measure of legislative compulsion for consolidation. In the Central Provinces, consolidation has been carried out through the Revenue Department, and "the holdings of nearly a lakh of permanent holders covering an area of about 1,133,000 acres, split up into 2,433 000 plots have been consolidated into 361 000 compact plots"† In the United Provinces, there were 283 consolidation societies in 1943-44, through which 75 058 acres consisting of 1,67,142 plots were consolidated into 17,647 blocks. Consolidation has not made much progress elsewhere. There are a few societies in Madras, but no attempt has been made to expand their activities. The Madras Committee on Co-operation (1939-40) held that "the problem is not so urgent or keen here as in the Punjab, while the solution of it, because of the differences in our agriculture might even be more difficult. We do not recommend any large-scale attempt at co-operative consolidation, but a gradual increase in the number of consolidation societies should be encouraged"‡ Delhi and the North-West Frontier Province have also attained a limited degree of success in consolidation through co-operative societies. An element of compulsion is sought to be utilised in the North-West Frontier Province through the "Consolidation of Holdings Act" passed in 1946. Baroda and Kashmir have also used co-operative societies for consolidation.

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\* F L Brayne CSI CIE MC in a note to the Co-operative Planning Committee

† Report of the Co-operative Planning Committee Page 25

‡ Report of the Committee on Co-operation in Madras 1939-40, Page 287.

#### (4) Joint Farming.

While consolidation of holdings attempts at converting a person's scattered bits of land into one compact block, it does not prevent further subdivision, nor does it necessarily make the consolidated holding sufficiently large for the adoption of scientific, economic and large-scale methods of agriculture, which methods alone can ensure larger production and make agriculture a profitable industry. Joint cultivation could bring that about and it is recommended that it should be tried on an experimental basis in connection with schemes for land colonisation and the resettlement of ex-servicemen. Co-operative societies have been suggested as one suitable type of organization for this purpose. It is not proposed to go into the implications of joint cultivation and the various methods suggested for it here; they have been discussed at length by the Co-operative Planning Committee in their Report.\* But in view of the importance of co-operative farming as one of these methods, we may note the progress attained in this line in some provinces. In Bombay, where there were eight joint cultivation societies in 1945-46, their record has not been encouraging. The Bombay Registrar's Report for 1945-46 states, "Experience so far generally gained in respect of joint cultivation societies is that it is difficult to persuade landlords and tenants to pool their lands together and that joint-farming in the real sense of the term is not easy unless large areas of Government land are available for each such experiment." The Bombay Government have recently approved a scheme for joint farming on Government land through co-operative societies in the Kolaba District. In Madras, there were 26 land colonisation societies in 1945-46. Extensive tracts of land have been assigned to these societies at the rate of about 10 acres per member, on lease; the land is divided between the members on an approved plan, and each member gets a house-site also. In order to prevent subdivision and fragmentation of holdings, each member is required to nominate a single heir who will be acceptable to the society as successor to the property; in the absence of such an heir, the property reverts to the society. Government have provided them with grants and loans for sinking wells and purchase of bullocks, manure and implements. The surplus produce of members is pooled for sale and the proceeds divided among them. These societies have been somewhat successful, and it is proposed to establish many more of this type in connection with schemes for the resettlement of ex-servicemen. But there has been very little of "joint" farming in them. "Enthusiasts of collective farming", remarks a recent publication, "would like to see cultivation in these colonies done jointly by the members, to see the bulls, seeds, manure and implements held in common

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\* Pages 26 to 35.

by the society to ensure that harvesting is done jointly and to compel common harvesting and profit sharing. Although this ideal is recommended to the colonists nowhere has it yet found favour. Each colonist prefers to cultivate his land on his own account and to keep for himself the fruits thereof \* From this it seems that farming of the fully co-operative type will have to encounter very stubborn resistance from the conservatism of the Indian peasant before it can make any real headway.

Except in Travancore where there were 10 land colonization societies which were organized to cultivate paddy on land leased from Government no noteworthy attempts in the direction of co-operative farming seem to have been made elsewhere. The Co-operative Planning Committee have however recommended the formation of Co-operative Joint Farming Societies as an experimental measure at the rate of two in each district with substantial assistance from the State by way of grants subsidies and loans for long term investment.

#### (5) Miscellaneous Agricultural Societies.

The co-operative form of organization has been found convenient for many other types of work directly or indirectly affecting agricultural efficiency. Land reclamation prevention of soil erosion and the promoting and management of village forests have been successfully carried out in the Punjab. Societies for fencing and crop protection have been working well in Bombay. Societies engaged on improving irrigation—construction maintenance and repairs of small works and wells—have been established in Bengal Madras and the United Provinces. In the United Provinces a number of tube wells were sunk and improved appliances were used for water lifting. Further progress in this direction has been hampered due to the war time shortage of essential materials. The work of one society in Madras which was supplying power-driven machinery to members on a hire purchase system till 1941 was interrupted due to the war.

Societies engaged in cattle breeding and veterinary aid for cattle have also been very successful in the Punjab† where there appears to be a great scope for their development. The main objects of these societies are to enable members to purchase high quality cattle ensure good fodder supply assist scientific cattle

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\* W. R. S. Sathianathan & J. C. Ryan Co-operation Page 25—Oxford Pamphlets on Indian Affairs

† There were 898 stock breeding societies and 238 veterinary first aid centres in the Punjab in 1945-46.

breeding by maintaining good stud bulls, and arrange for veterinary aid. A few such societies exist in several other provinces also, but their work has continued to be hampered by difficulties such as the high prices of cattle during recent years, scarcity and costliness of fodder, high incidence of cattle disease, and the religious sentiment against eliminating poor stock.

#### (6) Better Living and Health Societies.

Closely allied with the activities described above, which may all be characterised as primarily "economic", are the types of work generally described as "better living" or as "rural reconstruction", directed towards improving the social and moral aspects of rural life. Co-operative societies have been found equally useful in this line as in others, since they provide a democratic basis for action in the villages. Societies whose main objects are the supply of credit, or marketing, or better farming, have been engaged in social and moral work also to a small extent, but separate "better living societies" have been organized in large numbers, particularly in the Punjab and the United Provinces. Their objects have been, mainly, the eradication of social evils such as extravagance on ceremonial occasions, the promotion of thrift, improvement of sanitation and hygiene, discouraging litigation, etc. Such societies, called "Dehat Sudhar Societies" in the Punjab, have done a good deal to improve conditions in the villages. Since 1940, when the Co-operative Department took over rural reconstruction work in the Punjab, propaganda and educative work for the promotion of war effort, and maintenance of people's morale, were carried out by a special staff, through several agencies such as the press, the cinema, and the theatre. An important aspect of this work was the education of rural womenfolk in hygiene and sanitation, child-welfare and handicrafts and in the proper maintenance of the home through trained lady welfare officers. In all these aspects of rural reconstruction the "Dehat Sudhar Societies" assisted considerably. Their number has increased from 1,318 to 2,350 and their membership from 62,578 to 1,09,342 between 1938-39 and 1945-46.

In the United Provinces also where a special Rural Development Department was constituted in 1938, several better living societies were formed, the intention being to develop them into multi-purpose societies. There were 4,500 such societies in 1944-45. "Substantial work has been done" says a recent publication of the United Provinces Co-operative Department, "under their auspices as a part of the rural development programme in good many cases. Propaganda for the curtailment of ceremonial expenditure has been conducted, public wells have been dug, better farming methods introduced, dispensaries and adult schools established, cottage

industries encouraged village disputes settled, all under bye laws adopted by common consent' \* Bengal too has had a good number of 'better living societies' and most other provinces have had a few each

Other societies engaged in rural reconstruction work are "arbitration" societies aiming at reduction of litigation, and societies engaged in public health and medical relief. The problems of disease and ill health in rural India are so vast and deep-rooted that nothing short of a wide spread State machinery of medical relief and health service would be adequate to deal with them. But the very immensity of these problems and the paucity of funds at the disposal of provincial governments make the speedy establishment of such an organization extremely difficult. In a few provinces, notably in Bengal and the Punjab, attempts have been made to tackle these problems through co-operative societies. The extremely useful work which was inaugurated in Bengal for the control of malaria through such societies was described at some length in the Co-operative Review for 1939-40, wherein it was also noticed that their working has of late become somewhat indifferent. There were 1,048 such societies in Bengal in 1945-46 as against 1,091 in 1938-39. They have been able to take general measures against malaria such as clearing jungles, kerosenisation of tanks, and distributing quinine with a considerable degree of success. In the Punjab public health and medical aid societies have increased from 8 in 1938-39 to 120 by 1945-46, and their membership from 863 to 17,171. Financed by subscriptions and grants from local boards as well as Government, they have been able to do good work in maintaining dispensaries and first aid posts, despite an acute shortage of doctors. They were running dispensaries with only a trained nurse or compounder each in several cases. With the return of medical personnel from the defence services, it is expected that their activities will be expanded substantially.

The Co-operative Planning Committee have recommended that "pending organization by the State of medical services on a comprehensive scale, the State should help voluntary effort organized on co-operative lines for such purposes as the prevention and treatment of disease, and suggested that the State should give them ample assistance by way of grants and subsidies. As regards better living societies they recommend that as far as possible, better living work should centre round some economic activity like credit or marketing and separate societies should be formed only where the former is not possible †

\* J. P. Misra. Co-operatives in the United Provinces (1946) Page 24

† Report of the Co-operative Planning Committee Pages 234 and 235

## (iii) LONG-TERM CREDIT AND LAND MORTGAGE BANKS

It was explained in the Review for 1939-40 that the real beginning of land mortgage banking in India was marked by the establishment of the Central Land Mortgage Bank in Madras in 1929 for centralising the issue of debentures and for co-ordinating the working of the primary banks in that province. Bombay followed with a central institution in 1935. In other provinces, the technique of land mortgage banking was either imperfect or hardly developed at all. Practically the same position holds good even to-day. Indeed, this is but natural. Co-operative land mortgage banks in India have so far been advancing loans almost exclusively for the redemption of old debts—a factor that has ceased to be oppressive to the agriculturist, thanks to the war-time rise in prices. The need for such long-term credit institutions is, therefore, not felt so much as before.

A study of the developments that took place during the war would confirm the statement made above. It is a matter of common knowledge that during the years of the depression when there was a heavy fall in the prices of agricultural produce and the value of land in consequence, the burden of indebtedness became more onerous and any measure of relief was welcome. Naturally, land mortgage banking in several provinces and states received a great fillip during these years although the progress was not uniform in all of them. The war period, however, recorded a reversal of this trend, the most important contributing factors in this direction being the inflationary conditions bringing in their trail an enormous increase in the prices of both agricultural commodities as well as of land. The effect of this development was that the agricultural debtors were enabled to pay off their debts either out of their increased incomes or by the sale of a part of their lands. As evidence of the improved resources of the agriculturists might be mentioned that not only were the overdues due to the banks and societies rapidly paid, but there were even instances of advance repayments in large numbers in many provinces.\*

*Name of Province	Year	Total recoveries (In lakhs of Rs.)	Advance repayments (In lakhs of Rs.)
Bombay (C.L.M. Bank) } .. ..	1942-43	4.57	2.44
	1943-44	6.00	4.05
	1944-45	4.81	2.81
	1945-46	4.64	2.87
C.P. & Berar (Primary Banks) } .. ..	1942-43	3.29	1.04
	1943-44	3.19	1.64
	1944-45	2.08	0.66
Madras (C.L.M. Bank) } .. ..	1942-43	37.85	24.44
	1943-44	35.33	25.31
	1944-45	26.08	14.73
	1945-46	26.66	13.94

Another factor which also appeared to have had an effect on the transactions of land mortgage banks was that the debt adjustment boards, which were established in various provinces and states, scaled down the debts of the agriculturists and made them payable in easy instalments. Hence, there was little incentive for the agriculturist to approach the land mortgage banks for accommodation. Again, the Government had also covered a part of their field by providing funds and other facilities to agriculturists for improvement of land in furtherance of their "grow more food" campaign. The result was that the land mortgage banks could not proceed far ahead even in the matter of financing improvement of land and methods of cultivation—till now comparatively neglected functions of land mortgage banking. Thus, these factors led to a curtailment of demand for fresh loans, while advance repayments of loans previously taken became a common feature. The banks were consequently faced with the problem of surplus funds for which profitable sources of investments had to be sought. The land mortgage banks of the country, therefore, do not present a very bright picture as a whole during the period under review though certain parts of the country like Madras, Bombay, Mysore and Cochin have recorded a considerable strengthening of their position.

Among the provinces, Madras continues to hold the pride of place. There has been an increase of 9 in the number of primary banks at 119, and the number of members which stood at 47,153 in 1938-39 has shown a rise of 36,972 at 84,125 during 1945-46. A reference to the Central Land Mortgage Bank's balance sheets during the period under review shows that fresh advances have been declining during the major part of the war-period, while repayments have shown a rising trend. In 1938-39, fresh advances and repayments amounted to Rs. 59 lakhs and Rs. 10 lakhs respectively. In 1943-44, the figures stood at Rs. 18 lakhs and Rs. 35 lakhs respectively—repayments being nearly double the amount of fresh finance. The position at the end of 1945-46, however, showed good improvement at Rs. 43 lakhs and Rs. 27 lakhs. Similar trends were witnessed in the amounts of loans outstanding. During the earlier years, i.e., from 1938-39 to 1941-42 when repayments were far less than fresh finance, the outstandings rose from Rs. 189 lakhs to Rs. 259 lakhs. With the increase in surplus repayments witnessed in subsequent years, the outstandings declined to Rs. 226 lakhs at the end of 1944-45 to rise up again to Rs. 242 lakhs in 1945-46 with the revival of business.



Since the Co-operative Central Land Mortgage Bank is almost the sole financing agency for the primary banks, much the same development was noticed in the figures relating to their working also. It may be observed that the debentures issued by the Central Bank were outstanding at Rs. 325 lakhs on 30-6-46. These constituted almost the entire resources of the Bank since its owned funds and other borrowings hardly amounted to Rs. 53 lakhs on that date. Out of this, barring the loans outstanding at Rs. 242 lakhs, a sum of over Rs. 135 lakhs was absorbed by sinking fund investments and other investments. There were no overdues for the central institution as such, but the primary banks' overdues amounting to Rs. 1.28 lakhs in 1939, declined to Rs. 0.36 lakh at the end of 1945-46. The financial position of the Bank should be described as highly satisfactory.

A brief mention may also be made of the method of issue and redemption of debentures in this connection. The debentures of the Co-operative Central Land Mortgage Bank are guaranteed both in respect of principal and interest by the Provincial Government. Provision has been made for repayments by sinking funds, though the way in which they are maintained is not as scientific as one would like it to be. They have a system of crediting all principal recoveries to a Debenture Redemption Fund which they believe is a simple system. The real objection against not having a scientifically planned system of sinking fund is that the Bank may be faced with an undue strain on its revenue position during years of excessive principal collection and reduced interest. The object of a sinking fund is to equalise the strain over the entire period of any particular debenture issue.

The next important province which may be referred to is Bombay, though its business turnover is only a small fraction of that of the province of Madras. The provincial institution has 15 primaries affiliated to it as against 14 in 1938-39 and caters for the needs of about 17,000 members which is more than double its 1939 membership. It has issued debentures to the extent of Rs. 35 lakhs so far, and with a paid-up capital and reserves of just a little over Rs. 5 lakhs, commands a working capital of nearly Rs. 42 lakhs, representing an increase of about 95 per cent over the 1939 figure. The loans outstanding have not been showing any uniform trend, having risen from Rs. 19 lakhs in 1938-39 to Rs. 31 lakhs in 1942-43, again declining to Rs. 29 lakhs at the end of 1945-46. As regards fresh loans made, there has been a consistent decline from Rs. 8 lakhs in 1938-39 to a little over Rs. 2 lakhs in 1943-44, while repayments showed the opposite trend, rising from about Rs. 1 lakh to over Rs. 4½ lakhs during the same period. A slight reversal of this trend is noticed since 1944-45, when fresh loans show a tendency to increase and the repayments to decline ; at the end

of 1945-46 they are shown at Rs 3.32 lakhs and Rs 3.57 lakhs respectively. Overdues are reduced to nil at the end of 1944-45 though at the end of 1945-46 recoveries under principal are only 86.9 per cent which is attributed to famine conditions prevailing in the areas of certain primary banks. The overdues in the case of primary banks stand at Rs 1.16 lakhs in 1945-46. The shrinkage in fresh business therefore has led to a stoppage of new issues of debentures which were stationary at Rs 35 lakhs since 1942-43. The rates at which the debentures were issued namely  $3\frac{1}{2}$  per cent to  $3\frac{1}{2}$  per cent were however slightly higher than those of Madras at  $2\frac{1}{2}$  per cent to  $3\frac{1}{2}$  per cent. The Bank maintains sinking funds for these issues on the lines suggested by the Reserve Bank. It hopes to expand its business in view of the amendments to Section 33 of the Bombay Agricultural Debtors Relief Act of 1947 under which the Land Mortgage Bank will pay the adjusted debts of the agriculturists to their creditors by issue of bonds or in cash.

One other province which has a provincial land mortgage bank is Orissa. The Bank was organized in 1938-39 and it finances the agriculturist directly. Its transactions are however small the total outstandings amounting to about Rs 3.27 lakhs as at the end of 1945-46. It has also issued debentures for a total of Rs 4 lakhs in 1946-47 at 3 per cent and before this it was being financed directly by the Provincial Government. Its overdues are nil and fresh loans and repayments have been comparatively negligible.

The other provinces engaged in land mortgage banking are the Central Provinces and Berar, the Punjab, Bengal, the United Provinces, Assam and Ajmer Merwara though none of them has a provincial land mortgage bank. In the Central Provinces and Berar the Provincial Co-operative Bank is carrying on the functions of a land mortgage bank through a separate department. The number of primary banks there remained steady at 21. The position in 1945-46 as compared with the previous years would seem to have shown some improvement. Overdues declined from Rs 32,000 in 1938-39 to Rs 20,000 in 1945-46 while the amount of outstandings with the primary banks was Rs 13.03 lakhs in 1945-46 as against Rs 11.33 lakhs in 1938-39. The Registrar has referred to the increased demands during 1944-45 and loan applications received both from the point of view of number and amount at 647 and Rs 7.29 lakhs were far higher than those of any of the preceding years. Similar figures for 1945-46 have not yet been received but from the amount of loans actually advanced it is seen that 1946 recorded substantial improvement over the previous year—a sum of Rs 2.86 lakhs was advanced in 1946 against Rs 1.48 lakhs in 1945. The Provincial Co-operative Bank financed the primaries by the issue of debentures outstanding

at Rs. 15 lakhs at the end of 1946. The primary banks are reported to be taking vigorous steps by resort to distraint orders for effecting recoveries.

The position in Bengal, from the point of view of land mortgage banking, continues to remain unsatisfactory though there is an increase in the number of primary banks from 5 to 9. They are financed by the Provincial Co-operative Bank through funds obtained from the Provincial Government. Their outstandings amount to Rs. 7.76 lakhs in 1945-46 as against Rs. 5.07 lakhs in 1938-39, while their membership stands at 3,103 as against 2,217. For a province of the size of Bengal, land mortgage banking is still in its infancy. The banks are working at a loss since 1942-43, and at the end of 1945-46, the loss balance is Rs. 18,320.

The working of land mortgage banks in the United Provinces, Assam, Ajmer-Merwara and the Punjab does not need more than a passing mention. Despite the fact that the Punjab was the pioneer in organizing land mortgage banks, they have proved a failure there. They have now practically stopped doing any fresh business and are mainly engaged in collecting overdue. There were 13 land mortgage banks at the end of 1945-46 of which 4 were under liquidation. Their working capital and outstanding loans declined heavily from Rs. 13.39 lakhs and Rs. 10.87 lakhs in 1938-39 to Rs. 3.01 lakhs and Rs. 1.57 lakhs in 1945-46. The number of land mortgage banks in the other three provinces, namely, the United Provinces, Assam and Ajmer-Merwara was 6, 4 and 12 respectively at the end of 1945-46. Their position was also none too happy. The amount of loans outstanding at the end of 1945-46 at Rs. 2.02 lakhs, Rs. 1.08 lakhs and Rs. 0.54 lakh would give an idea of the utility of these institutions to the agriculturists in their areas.

Among the Indian states, Mysore, Cochin and Baroda deserve mention, and in particular, Mysore. The number of primary banks in Mysore has increased from 37 to 75 during the period and their business has shown all-round improvement. The primary banks are being financed by the Mysore Central Land Mortgage Bank and from a reference to its balance sheets, it would be seen that the amount of loans outstanding has increased from Rs. 9.56 lakhs in 1938-39 to Rs. 24.73 lakhs in 1945-46, the amount of debentures outstanding also showing a corresponding increase from Rs. 9.26 lakhs to Rs. 20.00 lakhs. Fresh advances and repayments appear satisfactory, though the primary banks have small arrears amounting to Rs. 11,000 at the end of 1945-46. In Cochin, long-term loans are advanced by the Cochin Land Mortgage Bank direct to the agriculturists. No material increase in its outstandings has been noticeable at Rs. 13.35 lakhs in 1945-46 as against Rs. 12.16 lakhs in 1938-39. The finance is derived from the issue of debentures whose

outstandings amount to Rs 15 lakhs. The repayments, particularly since 1942-43, have tended to be in excess of fresh loans. The Bank has reported a diminishing demand for its loans. The year's working has resulted in a loss of Rs 11,147 as against a profit of Rs 5,451 in 1944-45. Baroda has only 2 land mortgage banks financing the agriculturists directly out of debentures, the amount of which stood at Rs 7 lakhs at the end of 1945-46 against the outstandings of loans, which were Rs 6.75 lakhs.

Apart from land mortgage banks organized on co-operative lines in Indian provinces and states, land credit institutions have been organized in some Indian states on joint-stock basis with State assistance and patronage. The Travancore Credit Bank might be mentioned as an instance in point. The bank came into existence in 1938. It has lent a sum of Rs 21 lakhs up to the end of 1945 and has shown no overdues. The Bank has not so far floated any debentures, but finances agriculture and industry out of short-term deposits. The institution is empowered to raise funds by the issue of debentures on the security of its assets and property with the previous sanction of the Travancore Government and subject to such conditions as they may prescribe in this behalf. In Hyderabad the State has some time back passed a separate Act for establishing a land mortgage bank.

It would thus be seen from the foregoing analysis that in spite of its vast agricultural population India has not had a successful land mortgage banking structure. The land mortgage bank movement has failed in the place of its birth, namely, the Punjab for reasons which have been clearly mentioned in the last Review. It has either failed or remained in a moribund condition in several other provinces like the Central Provinces and Berar, Ajmer, Orissa, the United Provinces and Bengal. The only province in India which has made a mark in land mortgage banking is Madras. Mention may also be made of Bombay, Mysore and Cochin which are endeavouring to build up this branch of Co-operation.

The policies pursued by land credit institutions differ from province to province. Thus, Madras gives loans for a fixed period of 20 years while Bombay gives loans for periods of five, ten, fifteen and twenty years. Mysore advances both for short-term and long term purposes. The rates of interest charged to the ultimate borrower are also different in the different regions, for example, 5½% in Madras, 6½% in Bombay and 7% in Mysore. It may be mentioned in this connection that the Agricultural Finance Sub-Committee feel that agriculturists are not likely to make use of their finance unless the rate is reduced to 4% for which a good deal of Government aid has been recommended. The way in which the finance is obtained by the land credit institutions is not uniform either. Madras, Bombay, Mysore and Cochin

have central land mortgage banks and they obtain their finance by the flotation of debentures. In the Central Provinces and Berar and Bengal, it is the provincial co-operative banks which have undertaken the business and in the latter, no debentures are even issued, the amount necessary being obtained from Government. Nor is it satisfactory to note that even those provinces which have issued debentures under Government guarantee, have not provided for their redemption on scientific lines. Bombay is the only province which has created a sinking fund on the lines recommended by the Reserve Bank of India which envisages a spreading over of the strain involved in repayment over the entire period of maturity by equated annual payments and by the creation of Income Adjustment Funds to guard against lean years.\*

The effect of the Debt Relief Acts which have provided for giving easy instalments in awards and the increased prosperity of the agriculturists in general, have both been responsible for a considerable scaling down of the heavy burden of debts for the redemption of which the land mortgage banks have been so long advancing money. Now the time has come when the land mortgage institutions have to adjust themselves to the changing conditions. Land mortgage banks should associate themselves more actively with the financing of land improvement schemes, an aspect which has so far remained neglected and to which pointed attention has been drawn by the Agricultural Finance Sub-Committee. By encouraging consolidation of holdings on co-operative lines or otherwise, the scope for improvement can be considerably widened. Land mortgage banks can help in the matter by undertaking to provide funds to facilitate exchanges of land and by giving preference in granting loans to those who have consolidated their holdings. In certain areas, there seems to be great need for undertaking such improvements as bunding, fencing, provision of irrigation facilities by the sinking and boring of wells run by animal or electric power, the bunding of streams and purchase of costly agricultural machinery, etc. These are only a few of the many directions in which the land mortgage banks can progress in the years to come.

#### (iv) NON-AGRICULTURAL CO-OPERATION—

##### THE URBAN CREDIT MOVEMENT

The impression appears to prevail in some quarters that co-operative credit is only a need of the agriculturists and is not of much urgency to the urban people. As a matter of fact, however, the movement is of no less importance to the town dwellers, specially

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\* It does not seem to be necessary to dwell at length on the merits and demerits of the different systems adopted for redemption since they have been dealt with in detail in our circulars.

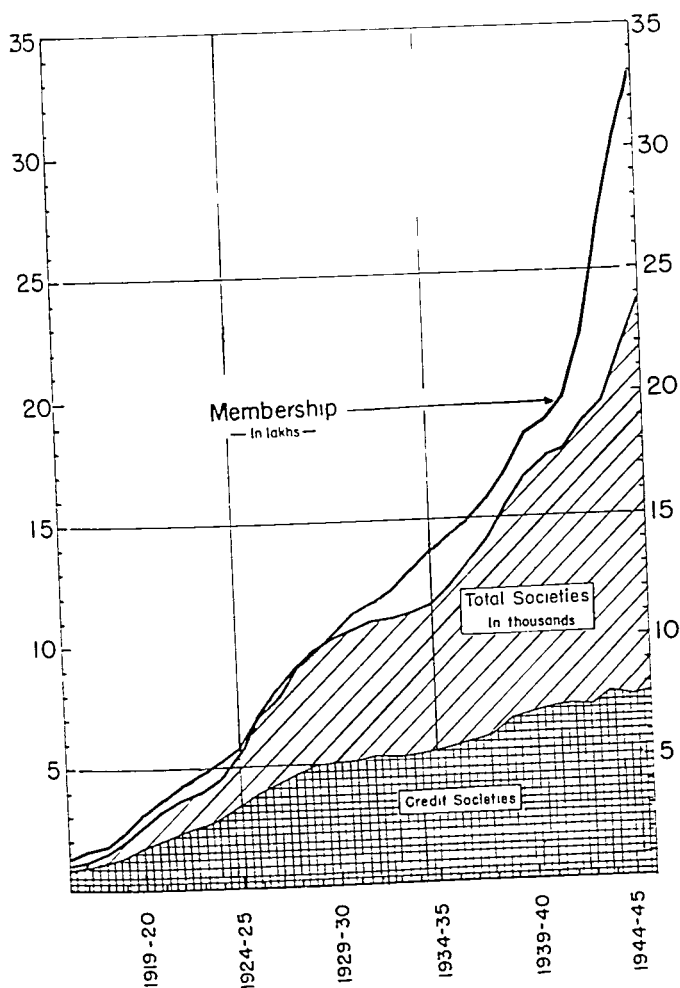
to traders, artisans, and employees in solving some of their vital economic problems. It has enabled them, particularly during the difficult days of war, to avoid exploitation by unscrupulous money-lenders, muddlemen and shopkeepers. This branch of the movement no doubt serves a much smaller population than the agricultural movement, but from the point of view of the working capital and amount of business turnover, it has definitely reached larger proportions than the latter. The agricultural movement suffered a bad set back during the depression from which it was only just recovering by 1939-40, but the urban movement was little affected during that period, since the fall in urban money incomes, was not so drastic as in rural incomes, and at the same time the fixed income classes in towns even benefited to an extent due to the appreciation in the value of money. The standards of managerial efficiency attained by urban societies have also been of a much higher order than those of rural societies, probably due to the preponderance of educated persons among their members and to their larger resources which enabled them to employ paid and trained staff in many cases.

Conditions arising out of the war gave the Urban Movement an all round stimulus. While urban credit institutions attracted larger membership and deposits due to the rise in money incomes of several classes, non-credit activities, particularly the consumers' movement, experienced a remarkable expansion due to the war-time scarcity of consumers' goods, and governments' policy of controls and rationing in the implementation of which large use was made of co-operative stores. Further, war orders for the supply of goods produced by small industries, particularly handlooms, and controls over the distribution of raw materials like yarn, led to the growth of industrial societies which were entrusted with the work. The effect of these developments can be seen from the subjoined table.

It will be seen that non-agricultural societies have made much better progress in every aspect, their share capital, working capital, loans due, and loans and deposits from members and non-members, than the agricultural societies. It is worth observing that loans and deposits in 1945-46, actually showed a positive decline in the case of agricultural societies while there was almost a doubling of the amount in the case of non agricultural institutions. Fresh loans made during the year by agricultural societies no doubt show an increase of 116.3 per cent in 1938-39, as compared with one of 52.1 per cent in the case of non-agricultural societies. This, however, is due to the extremely low volume of agricultural loans during 1938-39 consequent on the serious contraction of credit that had taken place in the wake of the depression.

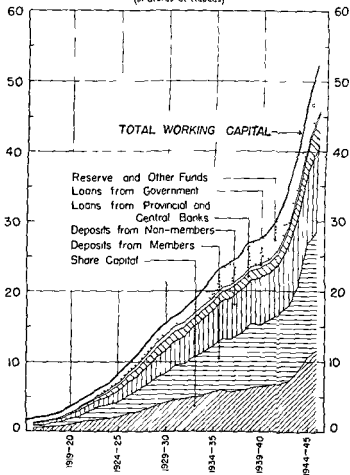
# NON-AGRICULTURAL SOCIETIES

## NUMBER AND MEMBERSHIP



# NON-AGRICULTURAL SOCIETIES WORKING CAPITAL AND ITS COMPOSITION

(In Crores of Rupees)

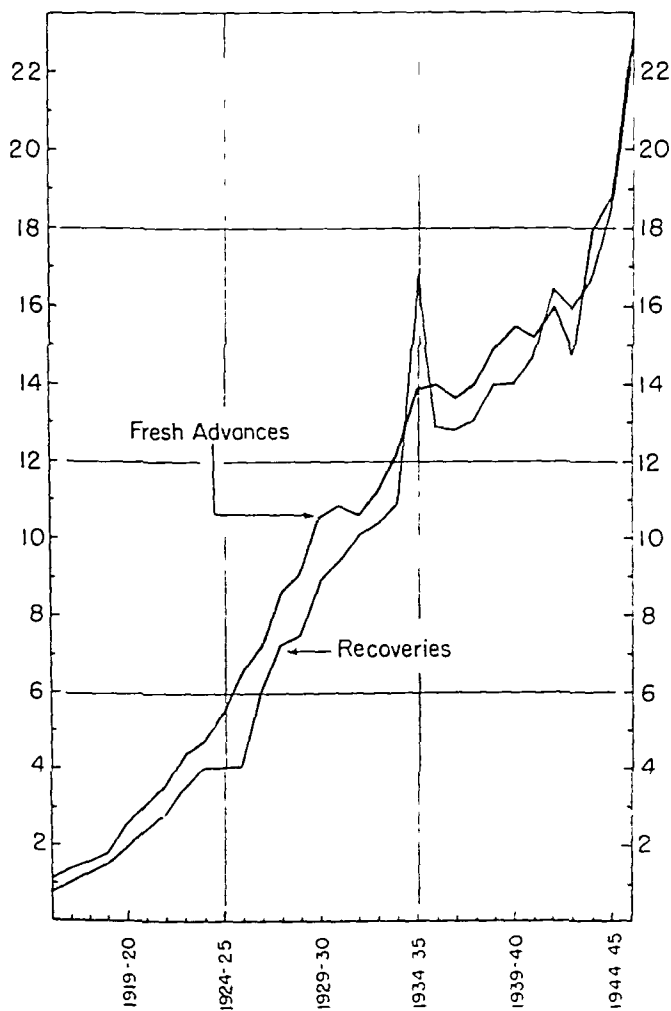




# NON-AGRICULTURAL SOCIETIES

## FRESH ADVANCES & RECOVERIES

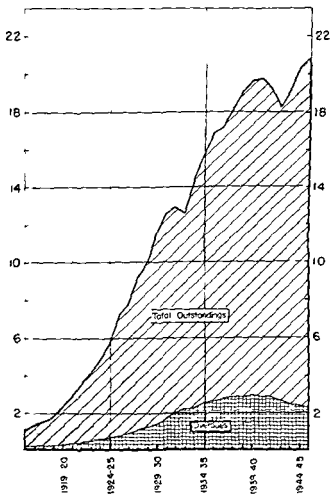
(Crores of Rupees)



# NON-AGRICULTURAL SOCIETIES

## OUTSTANDINGS AND OVERDUES

(Crores of Rupees)



# NON-AGRICULTURAL SOCIETIES

## NON-CREDIT ACTIVITIES

Cores of Rupees

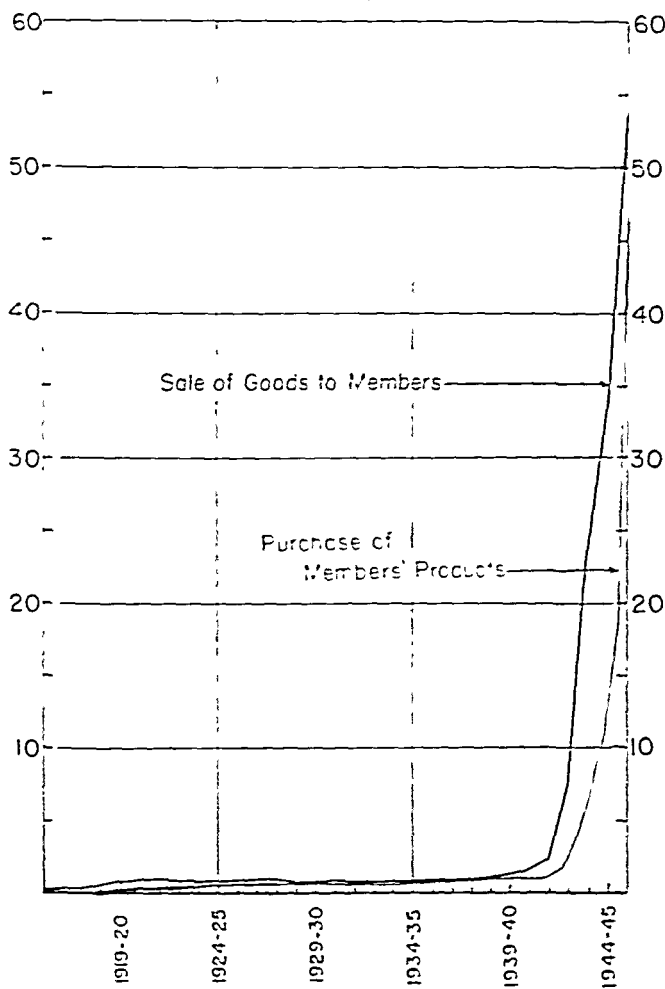


TABLE No. 5.

## AGRICULTURAL AND NON-AGRICULTURAL CO-OPERATION IN INDIA

Progress between 1938-39 and 1945-46

Year	No. of Societies	Member-ship	Share capital Rs. lakhs	Reserve and other funds Rs. lakhs	Working capital Rs. lakhs	Loans made during the year Rs. lakhs	Loans due at the end of the year Rs. lakhs	Loans and deposits held at the end of the year Rs. lakhs.
<i>Agricultural</i>								
1938-39 .. .. .	105,271	3,560,425	405.95	871.99	31,61.51	6,74.94	24,01.44	18,83.57
1945-46 .. .. .	146,958	5,500,762	588.50	10,57.11	33,01.30	14,60.28	18,92.12	16,55.69
Increase or decrease (—) per cent	39.6	54.5	45.0	21.2	4.4	116.3	—21.2	—12.1
<i>Non-Agricultural</i>								
1938-39 .. .. .	15,530	1,707,464	620.28	370.38	27,23.43	14,90.68	19,11.37	17,66.77
1945-46 .. .. .	23,838	3,435,452	1,169.73	697.81	52,63.92	22,67.18	20,66.56	33,96.38
Increase or decrease (—) per cent	53.5	101.2	88.6	85.4	93.3	52.1	8.1	96.7

Out of 23,838 non-agricultural societies in existence in 1945-46, 7,554 were credit societies and banks, 5,402 were purchase and sale societies (consumers' stores), 3,901 were production and sale societies (industrial societies) and 6,981 were other societies of a miscellaneous character. This section reviews the main features of non-agricultural credit co-operative societies in the various provinces and states, and the progress of other non-agricultural societies is reviewed in the following sections.

### 1. Urban Banks and Credit Societies.

Co-operative urban banks and societies are organized on the basis of limited liability and with a fairly wide area of operations, generally extending to the whole of a town. Their principal functions are to promote thrift by attracting current, savings and recurring deposits from members and non-members, and to advance loans on personal security or on the pledge of gold and silver, produce, merchandise, life insurance policies and Government Securities, and real property. Generally speaking their own resources are adequate for their requirements with the result that they have to borrow only on exceptional occasions from central banks. As a matter of fact, during the war, they have had surplus resources most of which they had to invest in Government Securities. All urban credit institutions in Bombay were also used during war-time to distribute food stuffs and other essential articles at controlled prices. The progress of urban co-operative credit institutions has, on the whole, been satisfactory during the period under review as can be seen from the subjoined table.

It will be observed that while the number and membership of societies have increased only to a small extent, the financial operations of these societies have made considerable progress. The loans and deposits held by the societies at the end of the year increased by 74.6 per cent by 1945-46. The societies of Madras, Bombay, Sind, Bengal and Orissa are mainly responsible for the increases, the others being more or less stationary, while those in Assam and the North-West Frontier Province have definitely recorded declines.\*

The distinction between urban "banks" and other credit societies is drawn only by a few provinces, and that too, not on a uniform basis. In Bombay and Sind, urban credit societies having a paid up share capital of Rs. 20,000 and over, and doing banking business, are known as urban banks. In Madras, urban credit societies accepting deposits on current account and maintaining fund resources

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\* Appendix No. 7 gives figures showing the progress of non-agricultural credit societies in the several provinces and in some states.

TABLE No. 6.

## NON-AGRICULTURAL CREDIT SOCIETIES IN INDIA.

Year.	No.	Membership In lakhs.	Owned capital Rs. lakhs.	Loans and Deposits held at the end of the year Rs. lakhs.	Working Capital Rs. lakhs.	Loans issued during the year Rs. lakhs.	Loans out- standing at the end of the year Rs. lakhs.
1	2	3	4	5	6	7	8
1938-39†..	6731	13.14	828.52†	1,525.73†	2,366.37	1,441.99	1,789.58
1945-46*..	7185	16.39	1,169.22	2,662.80	3,832.02	2,051.32	1,913.00

† Excludes the figures for Cochin.

† Figures for 1939-40 instead of those for 1938-39 have been given in the case of C.P. and Berar, Travancore and Bhopal.

\* Figures for 1944-45 in the case of Assam.

according to the standards prescribed by the Registrar are called urban banks. Orissa and Bihar have also a few urban banks each but they have made only small progress.

In addition to the general functions mentioned above, urban banks provide banking facilities such as the issuing of drafts and the collection of cheques, hundies, drafts, bills, and dividend warrants. Some of them have been authorized to receive payments for local bodies and insurance companies. Most urban banks employ paid managerial staff and also "surveyors" for appraising the value of property offered as security for loans.

Co-operative urban banking has been well developed in the provinces of Bombay and Madras, where practically every town has a bank. Several of these banks have attained a considerable degree of efficiency in their functioning and are no mean competitors to joint stock banks in attracting deposits and in some cases in their loan transactions. The progress of urban banking in these two provinces is indicated by the subjoined table.

In both the provinces, commendable progress appears to have been made. Particular reference must be made to the sharp increase of loans and deposits from individuals and societies in Bombay from Rs 197.90 lakhs to Rs 750.88 lakhs, it is mainly due to individual deposits which have grown to such heights as a result of the increase in incomes during war time. The Madras Registrar, commenting on the steep rise in deposits in that Province stated in his Report for 1944-45, that to the extent to which they were able to draw off surplus money from the pockets of the middle and lower classes and to invest them in Defence Bonds or Certificates, they acted as a salutary anti-inflationary influence.

The urban banks of Bombay which, as already noticed, were carrying on banking functions on a growing scale, experienced increased competition from joint-stock banks and their branches during recent years as such branches have also risen rapidly during these years. Since co-operative urban banks are subject to several restrictions regarding the limits for loans, the extent to which cheque and hundi business could be undertaken and so on, it was pointed out that they were subject to unfair competition from joint-stock banks from which they needed protection. Some well developed urban banks appear to have sought permission to convert themselves into joint-stock banks, in order to get over departmental restrictions\*. On the other hand the Co-operative Department appears to have felt that since the banks are assuming an increasingly "commercial" character, the question of continuing the concessions and privileges enjoyed by them with regard to taxation, audit charges and so on has to be examined. The Co-operative Planning Committee,

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\* Report of the Co-operative Planning Committee p 115

TABLE No. 7.

## URBAN BANKS IN BOMBAY AND MADRAS\*

	Bombay			Madras		
	1940-41	1944-45	1945-46	1940-41	1944-45	1945-46
1. Number .. .. .	60	87	96	154	181	184
2. Membership .. .. .	64,323 (Rs. 000)	82,508 (Rs. 000)	91,247 (Rs. 000)	140,523 (Rs. 000)	134,931 (Rs. 000)	145,980 (Rs. 000)
3. Share Capital .. .. .	3,071	5,316	6,173	3,637	4,415	4,677
4. Reserve and Other Funds .. .. .	3,151	5,489	6,421	2,188	2,569	4,100
5. Working Capital.. .. .	26,603	60,042	87,680	21,924	30,785	36,111
6. Loans and Deposits from societies and individuals at the end of the year .. .. .	19,790	58,445	75,088	15,172	22,563	27,311
7. Loans outstanding at the end of the year .. .. .	11,315	16,409	19,095	15,028	17,040	17,315

\* Banks with a share capital of Rs. 20,000 and above alone have been taken.



on a consideration of this question expressed the view that it is not reasonable for the urban banks which have enjoyed several concessions from Government which contribute in no small measure to the development of their business to demand permission to convert themselves into joint-stock concerns such a conversion would lead to a neglect of the interests of small and middle class people for whose benefit the urban banks have been organized

## 2 Employees' Societies.

Among other urban credit institutions the most important are societies of salary earners or mill hands. While some of these societies are open to public employees of all types most of them are generally departmental institutions in which membership is open to the employees of particular departments or concerns e.g. government servants societies societies of municipal employees railway employees etc. The obvious reason for such distinction is the ease with which dues could be collected by deduction from salaries. These societies have enabled their members to obtain loans at reasonable rates of interest although their primary purpose is to promote thrift by collecting monthly subscriptions and by attracting deposits. On the whole it can be said that employees societies have been working successfully though the tendency noticed in the Review for 1939-40 for a large percentage of their members to borrow up to the maximum limit almost continuously is still found to persist. The condition of employees societies in the Central Provinces and Berar appears to have suffered a slight set back due to the rising prices necessitating an extension of the number of instalments for the repayment of loans. Mention has been made in the last Review of the difficulties experienced in several provinces due to the amendment of the Civil Procedure Code in 1937 whereby the non attachable limit of salary was raised from Rs 20 to Rs 100. Barring Bengal and Bombay which had taken steps to safeguard the interests of societies by amending the Co-operative Societies Act the position remains unchanged in the other provinces which have yet to enact similar measures.

Similar to the salary earners societies are the societies of wage earners or mill hands whose heavy indebtedness was noticed by the Royal Commission on Labour and also by subsequent provincial committees. It was necessary therefore to eliminate the money lender with his extortionate rates of interest and to arrange for the supply of credit on easy terms. Mill hands co-operative societies have been formed for these purposes. They also try to promote thrift and undertake the supply of food stuffs and other essential articles at moderate prices to members. Some also engage in welfare activities such as the maintenance of schools libraries and recreation centres. Such societies in Bombay increased from 55 in

1938-39 to 156 in 1945-46. They held deposits totalling Rs. 31.44 lakhs in the latter year. In Madras also, industrial workers' societies have been functioning successfully, the majority of them doing stores business too. Employers have generally taken keen interest in the working of these societies and provided several facilities such as granting liberal donations and subsidies, provision of rent-free premises, and collection of dues from wages. The Co-operative Planning Committee have recommended the formation of such societies in all factories, and close collaboration between the Co-operative and Labour Departments in the promotion of labour welfare through them.

(c) NON-AGRICULTURAL CO-OPERATION—THE URBAN NON-CREDIT MOVEMENT.

(1) Consumers' Societies.

The consumers' co-operative movement in India originated almost simultaneously with the credit movement. "Stores" were established on the "Rochdale" model, but they did not make any noteworthy progress except in a few cases such as the Triplicane Urban Co-operative Society in Madras. There was a temporary phase of expansion during and immediately after the first World War, but subsequently the movement slackened and continued to be at a low ebb. Many stores failed, and even in Madras, their number declined from 103 in 1920-21 to 85 in 1939. Among the causes for failure may be mentioned the low margin of profit in retail trade in India, together with comparatively higher administrative costs in the case of the societies, the variety of requirements to which the stores had to cater, inadequacy of capital, the lack of well-trained honest managerial staff with business ability, and the disloyalty of members. Insistence by societies on cash sales also acted as a deterrent. Purchases by the societies of their requirements from local suppliers in the absence of efficient central organisations which could purchase them directly from producing centres or establish direct contact with producers' organizations seem to have been yet another factor contributing towards the failure.

With the outbreak of World War II, conditions underwent a radical change. Many private traders took undue advantage of the shortages and inflationary conditions to indulge in profiteering and black-marketing with the result that several commodities disappeared from the market while the prices of the rest went sky-rocketing. Government had to control prices and distribution. The situation, particularly with regard to food-stuffs, considerably worsened with the entry of Japan into the war; under these conditions most people began to resort to co-operative societies to an increasing extent for their essential requirements. The

**TABLE No. 3**  
**CONSUMERS' CO-OPERATIVE SOCIETIES IN INDIA**

Province or State	1978-79					1944-45 or 1945-46*					
	No of Societies	Members ship	Share Capital	Rs lakhs		Sales	No of Societies	Members ship	Rs lakhs		Sales
				Working Capital	Sales				Share Capital	Working Capital	
Madr as	85	+	+	+	23.77	1315	447 000	00.51	153.82	1757.55	
Bombay	25	7128	+	2.09	5.99	405	132 600	29.43	55.11	512.07	
And hrapur	10	098	0.05	0.19	0.31	21	1 700	1.01	1.85	0.90	
Bengal	43	5197	1.03	1.80	2.85	372	741.0	7.80	12.88	75.92	
Madhya Pradesh	0	638	0.14	0.84	1.85	12	0108	2.10	4.73	74.19	
Orissa	0	510	0.02	0.11	0.04	122	15 300	1.81	4.41	42.10	
U P	+	+	+	+	+	167	19 000	7.18	5.00	24.07	
Punjab	13	2315	0.22	0.72	1.70	50	7 000	1.40	6.47	19.35	
C.P. & Berar	-0	1717	+	0.87	1.19	277	20 309	7.30	5.01	41.51	
Arunachal Pradesh	11	770	0.22	1.02	1.00	1229	135 380	20.51	103.18	190.13	
N W P	1	71	0.22	0.01	0.01	4	700	0.12	0.19	0.42	
Goon g	-3	7107	0.18	1.18	1.04	70	9407	0.70	2.02	10.80	
Ajmer-Merwara	2	2100	0.32	1.02	1.85	12	3113	0.45	1.50	15.15	
Delhi	1	28	+	+	0.02	71	0407	+	+	105.00	
Mysore	72	16402	+	23.40	15.18	151	7.912	8.07	20.22	70.91	
Kerala	0	561	0.20	0.54	0.15	11	649	0.07	0.12	0.05	
Travancore	44	+	+	+	+	148	77,928	5.55	12.70	70.91	
Cochin	17	1801	+	+	+	19	2155	0.41	1.30	7.71	

\* Since the co-operative year ends at different dates in different provinces and states it has not been possible to give uniform statistics. Figures for Sind and Assam are for 1941-45 Bihar for the calendar year 1945 and the rest for 1945-46.

increased ability of people to pay cash for purchases and the official control of prices removed two great obstacles in the way of the development of co-operative stores. Government also found that co-operative agencies, where available, were efficient and reliable means for the distribution of essential articles, and consequently encouraged them by grant of licences and allotment of quotas. The resulting development of consumers' co-operation in the provinces and some states can be seen from the subjoined table.

The progress attained in each province is great, but it will be noticed that it is not uniform in all the provinces and states. The position in the more important ones is reviewed below.

### *Madras.*

Madras, being a deficit province with regard to food supply, was faced with the problem of procuring food-stuffs from the surplus areas within and outside the province and arranging for their equitable distribution in its urban centres and deficit areas. It is in the field of distribution that co-operatives played a large part with the encouragement of Government. A number of new co-operative stores were formed (although the Department, due to shortage of supervisory staff, registered only a fraction of the total that applied therefor) and existing stores opened new branches. Government assisted them by directing district collectors to allot them liberal quotas of essential supplies, relaxing the rules for licensing them as distributors of controlled articles, and appointing additional staff for their promotion, supervision and audit. Financing banks were permitted to give liberal credit to the stores.

The primary societies thus encouraged and assisted, have done an excellent job of distribution. As a condition for the grant of licences, they were obliged to sell both to members and non-members. Many of them started their own informal systems of rationing even before the introduction of statutory rationing of food-stuffs. Subsequent to that, they have become the most important centres of distribution for rationed goods, serving (in 1945-46) 26 per cent of the card-holders in the entire Province. In addition, they successfully tackled the distribution of other commodities in short supply such as standard and handloom cloth, sugar, kerosene, matches, potatoes, fuel and medicines. The Triplicane Urban Co-operative Society, which was entrusted with the task of carrying out the "emergency food supply scheme" intended to serve the people of the City when a large number of private traders fled in panic in April and May 1942, opened 30 emergency depots in addition to its 35 branches and kept the people supplied with their essential requirements. Similar emergency schemes were managed by a few societies in other centres. Mention should also be made of stores in industrial concerns of which there

were 69 in 1945-46, with 69,000 members, share capital of Rs. 9 01 lakhs, and sales worth Rs. 127 17 lakhs. These societies have derived the fullest measure of encouragement and assistance, financial and otherwise, from the employers. "Many of the stores" remarks an official survey, "have already established themselves with the generous help of the employers and it is not too much to hope they will become permanent adjuncts to all industrial concerns and form an integral part of schemes of social security for the industrial labourers"\*. The following table indicates the remarkable progress of primary consumers' stores in Madras since 1939-40 —

TABLE No. 9  
Primary Consumers' Co-operative Stores in Madras.

Year	No. of societies	No. of members	Paid up share capital	Reserve Fund	Value of Annual Sales
					Rs lakhs
1939-40	198	34 400	3 20	2 37	23 07
1940-41	300	54 700	4 71	†	59 75
1941-42	399	71 600	6 43	†	91 45
1942-43	938	213 282	23 85	3 35	298 49
1943-44	1 191	343 000	43 67	6 93	832 36
1944-45	1 256	408 000	59 74	13 61	1 176 86
1945-46	1 346	447 600	66 54	21 26	1 357 53

Two important developments in consumers co-operation in Madras worthy of note are the penetration of stores societies into rural areas and the organization of wholesale or central stores. It was formerly believed that conditions were hardly congenial in rural centres for consumers' co-operation. But as already noticed, the war has brought about radical changes such as dire shortages of all goods, the introduction of controls obviating the need for great business ability, and more money to the village-folk enabling them to make cash purchases. Due to these factors, a number of stores have been established in the villages and excepting in the surplus districts of the deltaic areas where the need for their services has been less urgent they have been

\* 'Consumers Co-operative movement in Madras', — The Madras Journal of Co-operation, May 1944. Supplement p. 22.

† Information not available.

working successfully. The following table illustrates their progress, which, according to the Registrar, "can only be called phenomenal."\*

TABLE No. 10  
Rural Co-operative Stores in Madras.

Year	Number	Number of members	Paid-up share capital	Working Capital	Annual Sales
			( Rs. 0 0 0 )		
1938-39	21	2,888	17	56	3,51
1943-44	713	1,10,164	16,19	40,62	1,96,48
1944-45	763	1,45,000	25,34	..	3,26,85
1945-46	822	1,62,000	27,87	57,43	3,90,15

Nearly two-thirds of the total number of primary stores in the Province are thus in rural centres and their sales amount to nearly Rs. 4 crores.

While it is admitted that several of these stores may not survive after the restoration of normal conditions, it is hoped that a good proportion would have established themselves strongly enough to do so ; steps are being taken to strengthen and consolidate as many of them as possible.

Twenty-one wholesale or central stores were established, generally at the rate of one for each district, but a few serving two districts each. Though their main purpose was to co-ordinate the purchasing activities of the primaries so as to enable large-scale purchases at the principal production centres, some of them have also been entrusted with the work of procuring food-grains, and others have served as wholesale stockists. They have also been able to establish contacts with marketing federations, thus linking up the consumers' and producers' aspects of the Movement. Some have also opened branches to distribute goods directly to consumers. Most of these institutions are too recent to be adjudged totally successful, and there have been several instances of conflict between them and the primaries. Yet, on the whole, the trend of their working seems fairly successful and it appears that they will, with slight changes, establish themselves as permanent features of the structure in Madras. The following table gives some details of the working of wholesale stores in Madras.

\* W.R.S. Sathianathan: "Consumers' Co-operation in the Madras Province," Oct.-Dec. 1944, Indian Co-operative Review.

TABLE No. 11

## Wholesale (Central) Co-operative Stores in Madras

Year	No of societies	No of members	Share Capital	Reserve Fund	Annual Sales
			Rs lakhs		
1939-40	2	166	0 19	Nil	1 72
1944-45	21	8 568	24 66	3 74	963 17
1945-46	21	9 427	29 18	8 29	1 266 68

The substantial progress thus attained in Madras has been possible mainly because a nucleus of successful stores and a generally well developed co operative organization were in existence to take advantage of war time conditions. But these advances, striking as they are cannot be considered permanent gains. The institutions betray certain weak features. At present, these stores are dealing mainly in controlled articles which constitute 68.5 per cent of their total sales, 65 per cent of their sales are to non members, and only 24 per cent of their total purchases are from co-operative wholesale stores. The problems now seriously engaging the attention of officials and non-officials in Madras centre around the retention and consolidation of the war time gains as far as possible and it is encouraging to note that requisite steps such as strengthening of share capital, building up ample reserve funds, expansion of membership the establishment of close relationship between the primary and wholesale stores and diversification of lines of trade, are already being taken.

*Bombay.*

Since Bombay is also a deficit province in respect of food supply, its problems in the distribution of consumers goods were similar to those of Madras. These were tackled by the organization of gram stores and fair price shops, directly under Government or under other public agencies including co-operative societies. New consumers societies were registered only in a few cities where it was felt they had good prospects of survival under normal conditions. Elsewhere the policy was to permit well managed and financially sound co operative societies such as urban banks, salary earners' societies credit societies, multi purpose and sale societies to purchase supplies and sell them to members and non members. A number of such selected societies started 'fair price shops'. In the Broach District, the Broach Co-operative Stores, in collaboration with the

district financing agency, opened a number of branches for distributing controlled articles. The assistance of co-operative societies in the distribution of essential supplies was particularly useful in rural areas, where it was not possible to adopt complete rationing. Out of 3,558 rural food-grains distribution centres, established by September 1944, 1,004 were allotted to co-operative societies.\* Consumers' societies in the Province increased from 25 in 1938-39 to 465 in 1945-46, their membership from 7,128 to 132,590 and their sales from Rs. 5.99 lakhs to Rs. 542.07 lakhs. These figures, however, do not reflect the entire contribution of co-operatives in the Province to the distribution of consumers' goods since a policy of utilising other co-operative societies as far as Possible was followed.

#### *Other Provinces and States.*

In Assam, between 1938-39 and 1944-45, the number of consumers' stores increased from 13 to 1,229, their membership from 776 to 135,380, and their sales from Rs. 1.60 lakhs to Rs. 130.13 lakhs. It is clearly recognised that this development is a purely war-time phenomenon and that the major part of it may not be able to survive long. Three central stores have also been established in the Province.

Good progress is to be noticed also in the Central Provinces and Berar, where, during the same period, the number of societies increased from 26 to 277, membership from 1,713 to 26,369, and sales from Rs. 1.19 lakhs to Rs. 41.54 lakhs. A number of village stores have been established and affiliated to the Taluk Agricultural Associations which function as wholesale societies. Steps to develop most of these societies as "multi-purpose units", to stabilise them and to establish links between producers' and consumers' societies are also being taken†. In the United Provinces, there were 163 consumers' societies in 1944-45 of which 7 were central societies. The Provincial Marketing Society functioned as a wholesale society for them. The Registrar's Report for 1943-44 indicates their weaknesses, saying, "The stores have not yet adopted the principles of Rochdale Pioneers. They have not yet distributed bonus to members and kept no record of purchases by individual members. They have often sold on credit. Their account keeping is, in most cases, inadequate and even crude." In this Province also, the distribution of essential supplies was arranged mostly through credit and marketing societies, particularly the Provincial Marketing Federation, its branches and depots. In Orissa too, consumers' stores have made satisfactory progress and a central wholesale store has also been established.

\* N. V. Nayak: "Co-operative Distribution of consumers' goods in Bombay Province", Indian Co-operative Review, July-Sept. 1944.

† K. N. Nagarkatti: Co-operative Distribution in C.P. and Berar. The Indian Co-operative Review, July-Sept. 1944. Pp. 104-105.



Among the states Mysore has seen the greatest expansion in the consumers movement the number of societies having increased from 72 in 1938-39 to 151 in 1945-46 their membership from 16 462 to 32 942 and sales from Rs 15 18 lakhs to Rs 105 06 lakhs In Travancore where there was one well established distributive society since 1914 the stores were organized mainly as multi purpose societies Since the war and with the introduction of statutory rationing stores as well as other societies were engaged in the distribution of essential commodities By 1943-44 822 societies out of a total of 1 600 were thus engaged about one eighth of all the ration cards issued in the State being registered with them Cochin which had a well organized network of stores before the war has maintained satisfactory progress their sales increasing from Rs 2 37 lakhs in 1939-40 to Rs 7 31 lakhs in 1945-46 A small number of societies worked satisfactorily in Hyderabad also

The question of taking suitable steps to consolidate a substantial part of the war time progress thus achieved is being tackled in all regions on the lines similar to those noticed in Madras The attention of the reader is in particular drawn to the very constructive recommendations made by the Co-operative Planning Committee in this regard

## **(2) Industrial Co operation.**

Small-scale industries play a vital part in our national economy accounting for a substantial part of industrial employment both whole time employment for artisans and subsidiary employment for agriculturists The need to protect and develop these industries against competition from large-scale industry and exploitation by middlemen and to develop them on modern lines has been long recognised Formation of industrial co-operative societies has often been recommended as one of the most suitable methods of reorganization The early attempts made in this direction however were not very successful due partly to the fact that co-operative societies for artisans were little more than credit societies and also because the industries suffered from numerous difficulties which required to be tackled by large-scale efforts according to a comprehensive plan The most important of these industries handloom weaving was in a languishing condition before the Government of India began a system of grants in 1935 for the development of the industry Although this initiated some highly desirable measures in certain provinces the general condition of the industry was far from satisfactory during the early years of the recent war when a Fact Finding Committee was at work investigating its problems (1941-42) The war with its stoppage of imports and large requirements for textile products necessitated the fullest exploitation of all avenues of production and large war orders were placed for execution through

TABLE No. 12  
INDUSTRIAL SOCIETIES

Province or State	WEAVERS' SOCIETIES					OTHER INDUSTRIAL SOCIETIES						
	No. of Societies	No. of Members	No. of looms engaged	Rs. lakhs			No. of Societies	No. of Members	Rs. lakhs		Sales of finished goods	
				Share Capital	Working Capital	Sales of finished goods			Share Capital	Working Capital		
Assam	124	3,950	2,800	0.36	0.71	21.74	35	..	..	0.34	2.09	0.21
Bengal	1,148	78,030	1,25,000	8.14	15.21	75.34	158	3,600	..	..	0.03	..
Bihar	31	616	..	0.13	0.57	..	10	390	..	..	11.13	..
Bombay	130	12,960	..	..	24.32	194.68	69	4,130	..	..	0.98	4.13
C.P. & Berar	128	22,236	32,030	4.35	15.44	118.67	35	2,087	..	4.38	4.55	9.58
Madras	336	65,286	39,452	20.07	50.30	373.09	222	15,255	..	1.59	0.57	0.50
N.W.F.P.	11	160	160	0.01	0.07	0.20	5	80	..	0.44	2.01	4.68
Orissa	78	2,990	..	0.07	0.42	7.05	30	1,950	..	..	..	..
Punjab	215	0,010	..	0.43	7.57	0.30	157	..	..	..	..	..
Sind	9	230	..	0.57	0.73	..	..	..	..	..	..	..
U.P.—	..	..	..	..	..	..	..	..	..	..	..	..
Central	18	16,624	25,000	{ 3.57	7.28	25.09	29	990	0.26	1.13	1.58	..
Primary	160	8,140	..	{ 1.24	6.12	10.15	..	..	..	..	..	..
Baroda	51	859	..	..	..	..	..	..	..	..	..	..
Mysore	47	1,872	..	0.53	1.16	..	..	..	..	..	..	..
Cochin	10	747	..	..	0.50	10.27	21	2,061	..	0.70	6.16	..
Hyderabad	..	..	..	..	..	..	91	1,753	0.45	2.05	..	..

Sources :—Annual Reports of Registrars of Co-operative Societies, and Tables in the Agenda for the 16th Registrars' Conference, Madras.

Figures are for 1944-45 in the case of Assam and Sind, for the calendar year 1945 in the case of Bihar, and for 1945-46 for the rest.

.. Figures not available.

† Particulars included in weavers' societies.

grant, functioning as a promotional agency, distributing yarn collecting manufactured goods for sale, and subsidising the primaries through grants. In 1945-46, there were 1,148 societies with 78,030 members, working 125,000 looms, and their sales stood at Rs 75.34 lakhs.

Among the states, Travancore has a central co-operative society for weavers, similar to the Madras Society, to which 200 primary societies are affiliated. It has established printing and dyeing departments, and proposes to establish its own bleaching and calendering plant. It has been successful in distributing yarn to the members of the primary societies and marketing their products. Mysore had 47 weavers' societies in 1945-46 with 1,872 members. Baroda had 51 societies with 859 members, and Cochin had 10 with 747 members. Hyderabad had, at the end of July 1946, 61 weavers' societies.\*

#### **Societies for other industries.**

The progress in the co-operative organisation of other small-scale industries has been comparatively small, both because attention has been concentrated on the handloom industry since 1935, and because greater difficulties, technical and otherwise, had to be faced in their cases. Attention has recently been directed to these industries in Bombay, and with the inauguration of the Industrial Co-operatives Organization Committee in 1942-43, a variety of societies for tanners, smiths, wood-workers, oil pressers, potters, bee keepers etc., have come into existence, numbering 86 by 14th October 1946†. Special mention may be made of seven societies for the promotion of small scale industries among women. The District Industrial Associations are now developing into federations comprising industrial societies, and evincing greater interest in industries other than weaving. The Provincial Industrial Co-operatives Association started in 1946, with four departments in charge of organization, finance, commerce and technical development, aims at the establishment of an association for each district which would train groups of workers and organize them into co-operatives.

Madras had a sprinkling of co-operative societies for the production of potteries, buttons, toys, coir-products, hats, carpets, leather goods, metal-ware, etc. By 1945-46 there were 222 such societies with a membership of 15,255, and share capital of Rs 1.59 lakhs which sold goods worth Rs 9.58 lakhs during the year. The Madras Provincial Co-operative Bank has made grants totalling (by the end of June 1946) Rs 15,000 for the development of cottage

\* Indian Co-operative Review, July-December 1946

† L. N. Renu *Op cit*

industries of which Rs. 12,000 were ear-marked for the promotion of cottage industries among women. A Lady Special Officer has been appointed to supervise 35 women's societies, the members being taught improved methods of work by technical instructors. These societies had 2,410 members and produced goods worth Rs. 51,206 in 1945-46. It may be added that the Madras Government have under their consideration comprehensive schemes for the development of small-scale industries through co-operatives with the Provincial Marketing Society reorganised as a kind of promotional agency.

The position in other provinces and states in 1945-46 can briefly be referred to here. The Central Provinces and Berar had 35 industrial societies, chief among which are those for metal workers, and a society for the promotion of home industries among women in Nagpur. The Punjab had about 370 societies (including 215 weavers' societies) under the supervision of two Assistant Registrars which were being financed by the Central Industrial Bank Ltd., Amritsar and by four industrial unions. Although large war orders for textile, leather, and other goods were entrusted to them, they did not seem to have benefited from them and their working would have to be taken as defective.\* There seems to have been a good deal of mismanagement and corruption in the societies, orders being apparently executed in a shoddy manner leading to several rejections. Bengal had 158 societies for cottage industries, the United Provinces 29, Orissa 30, Bihar 10, and the North-West Frontier Province 5; Coorg had 1 society for the production of honey and wax. Of the states, Mysore had a small number of industrial co-operative societies engaged mainly in sericulture and wood work. In Travancore, there were societies of ivory-workers, potters, and lime-shell diggers, and a central cottage industries society has been established. Hyderabad had 30 societies of goldsmiths, carpenters, shoe-makers and other artisans.†

In all the provinces and states, the urgent need for reorganization and development of small industries has been recognised and post war plans provide for measures to this end, one of which is the abolition of dual control by the Industries and Co-operative Departments, entrusting the whole scheme of development to the

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\* The Punjab Registrar's Report for 1943-44 states "This was a golden opportunity for industrial societies, and they should have been able to consolidate their position and emerge out of this chaotic period with unlimited potentialities for future development. It is, therefore, very sad to reflect that nothing of the sort happened, and in fact the position of the societies at the end of the period under report was, if anything, worse than at the beginning of the period."

† "Industrial Co-operation in Travancore", and "Industrial Co-operation in H.E.H. the Nizam's Dominions," Indian Co-operative Review, July-Dec. 1946.

Co-operative Department giving the Registrar at the same time the necessary technical assistance

### (3) Milk Supply Societies and Unions

The problem of milk supply in urban centres in India acute even under normal conditions became much worse during the war. There was a serious shortage of milk in the face of a greatly increased demand from the military and civil population as a result milk prices rose abnormally aggravated by high prices of cattle and cattle feed. Co-operative milk societies and unions functioning on a limited scale in Bengal Madras and the United Provinces by 1938-39 experienced considerable expansion and their working during recent years reveals that they could be successfully used to a much greater extent for increasing milk production and supplying quality milk at reasonable rates to consumers. The progress of milk societies and unions in India during the period under review is indicated by the subjoined table

It is evident from the table that although a few societies have been established in other provinces too Bengal Madras the United Provinces and the Central Provinces and Berar are the provinces where co-operative milk supply has attained significant dimensions and of these Madras has now outstripped Bengal which was occupying the first place before the war

In Bengal the Calcutta Co-operative Milk Supply Societies Union continues to play an important part in the supply of milk to hospitals to the Corporation and to individuals in the City of Calcutta the milk being collected under efficient supervision from 128 affiliated societies around the City. It also distributes stud bulls to the societies and employs a veterinary inspector to inspect members' cattle and treat them.

In Madras the milk supply societies and unions have rendered a distinct service to the public the Government and the army during the war years. As at the end of 1945-46 there were 21 unions and 253 societies for milk supply as against 6 and 51 respectively in 1938-39. From the point of view of business turnover the progress during the period might be described as phenomenal the value of milk sold by the unions and societies having increased from Rs. 3.45 lakhs and Rs. 2.74 lakhs to Rs. 58.95 lakhs and Rs. 42.55 lakhs respectively. Particular mention may be made of the Madras Co-operative Milk Supply Union which has established itself well set up a pasteurization plant and attained the position of a premier union of its kind in the country. It has been supplying large quantities of milk to the military to eight State hospitals in the City and to a large number of individual consumers through 45 depots. Its daily average quantity of supply in 1945-46 was 29,500

TABLE No. 13  
CO-OPERATIVE MILK SOCIETIES AND UNIONS IN INDIA

Province	(a) SOCIETIES				(b) UNIONS				
	Year	No. of Societies	No. of Members	Loans advanced to members during the year (Rs. lakhs)	Value of milk sold during the year (Rs. lakhs)	No. of Unions	No. of Members	Share Capital (Rs. lakhs)	Value of milk sold during the year (Rs. lakhs)
Bengal ..	{ 1938-39 1945-46	238 219	10,161 11,890	1.68 0.46	1.63 7.69	4 3	.. 231	.. 0.17	.. 17.03
Bombay ..	{ 1938-39 1945-46	8 14	991 1,990	.. ..	0.54 2.53	.. ..	.. ..	.. ..	.. ..
C.P. & Berar ..	{ 1938-39 1945-46	3 11	68 278	.. 0.39	0.34 0.78	.. 1	.. 132	.. 0.08	.. ..
Madras ..	{ 1938-39 1945-46	51 253	1,013 21,770	.. 2.80	2.74 42.55	6 21	53 1,950	.. 1.51	3.45 58.95
N.W.F.P. ..	1945-46	2	90	..	0.05	..	..	..	..
Punjab ..	1945-46	1	5	..	..	..	..	..	..
Sind ..	1945-46	1	200	..	0.23	..	..	..	..
United Provinces ..	1945-46	38	830	0.33	0.76	3	505	0.36	4.53

.. Not available.

Source: Annual Reports of Registrars of Co-operative Societies and the Agenda for the 15th Registrars' Conference.

lbs and the total value of milk supplied during the year was Rs 28 98 lakhs. Since the termination of its contract with the military by the end of March 1946, it has been able to increase supplies to the Madras Corporation and other institutions and individuals considerably.

It is estimated that co-operative societies and unions now supply milk to more than 15 lakhs of people in the Province. The Madras Government have been assisting these institutions in several ways such as the grant of interest free loans for one year for the purchase of milch cattle, loans at  $3\frac{1}{2}$  per cent for five years for the purchase of lorries, exemption of societies from sales tax on milk, grant of concessions for cutting grass from forests and subsidies to encourage milk recording. They have also organized a co-operative society for the salvaging of dry cows near Madras, which has completed two years of successful working.

In the United Provinces, the number of societies has increased from 9 in 1939-40 to 38 and unions from 1 to 3 by 1945-46. Of these the most successful is the Lucknow Union. The Provincial Government have assisted the union by grants for the purchase of a motor van for the construction of milking sheds and for general purposes.

It has been estimated by the Milk Sub-Committee appointed by the Policy Committee on Agriculture, Forestry and Fisheries, that the total production of milk in India at present is about 21 million tons a year and that a production of 60 million tons a year is needed, the minimum requirements of the people in respect of whole milk alone being put at 30 million tons. Such an expansion can only be achieved by increasing the production of milk in the villages. The present system of distribution, with its attendant evils of adulteration, unhygienic practices and exploitation by middlemen, is evidently very defective. The co-operative form of organization which, as already noted in connection with the experience in Madras, has proved successful in solving these problems, is definitely superior to alternative lines of organization and can with advantage, be widely extended. The detailed recommendations for the development of co-operative milk societies and unions, made by the Co-operative Planning Committee, deserve careful consideration.

#### (4) Miscellaneous Societies.

Important among other types of urban societies are insurance, housing, labour contract and transport societies. Co-operative insurance societies have made fairly good progress. Of these five are life insurance societies namely, the Bombay Co-operative Insurance Society, the South India Co-operative Insurance Society,

the Hyderabad Co-operative Insurance Society, the Baroda Co-operative Life Insurance Society and the Indore Co-operative Insurance Society. Two more societies were established in Madras, the Co-operative Fire and General Insurance Society, in 1941, and the Madras Co-operative Motor Vehicles Insurance Society in 1946. In addition to these, there are also nine mutual benefit and insurance funds for certain special groups of employees, registered under the Co-operative Societies Act.

A special feature of co-operative life insurance societies was that they were issuing till recently, policies for small sums ranging from Rs. 100 to Rs. 1,000 also; but due to an amendment of the Insurance Act in 1946, fixing the minimum for a policy at Rs. 1,000, they are unable to do so now. Attempts are being made to get the Act amended again, restoring the old privilege to co-operative societies.

Co-operative housing societies could not expand or even carry on their normal activities during the war due to the acute shortage of building materials and labour and to the policy of restriction followed by Government in financing the societies. It may be hoped that with the pressing demand for accommodation in urban centres today, co-operative housing activity would experience a great expansion as soon as the situation regarding materials and transport eases a little. The two types of housing societies existing in India are (i) those based on individual house-ownership where the society helps the member in several ways such as purchase of land, laying out the colony, and loans to finance building, stage by stage, the house being mortgaged to the society till the loan is cleared through instalments, and (ii) the co-partnership type where a building is owned in common by the members of a society each member having rights of tenancy subject to certain conditions, and in certain cases having the right to purchase the building from the society on paying the required number of instalments. The former type of society prevails in Madras, while the latter is the usual type in Bombay. There were 126 such societies in Bombay with 8,600 members in 1945-46 as against 98 societies with 6,617 members in 1938-39. Many of these societies experienced difficulties during war-time due to insufficiency of income consequent on tenements remaining vacant, particularly in 1942 when people evacuated the City in large numbers, and some of them accumulated heavy overdues. Increased demand for accommodation and rise in property values in recent years have enabled some to clear off their arrears by sale or better collections. In Madras, there were 113 societies in 1945-46 with 4,030 members as against 126 with 4,583 members in 1938-39. Their outstanding loans have decreased from Rs. 20.36 lakhs to Rs. 5.17 lakhs during the same



period. An instance of the application of co-operative housing to industrial labour is the case of the Harveypatti House-Building Society, through which the Madura Mills Ltd have constructed, during the war period a complete colony of more than 600 houses with all facilities such as electric lights, water, drainage, roads, parks and schools, managed by a co-operative society. On payment of Rs 600 in small instalments, the worker becomes the owner of a house. The successful completion of the schemes under difficult conditions was largely due to the generous financial assistance of the management of the Mills who not only advanced the share capital of the society and gave a large loan for construction, but also made free grants for several items of capital and current expenditure. Schemes for the expansion of co-operative societies for housing—urban, industrial and rural—are under the consideration of the Madras Government. The progress of co-operative housing in other provinces is comparatively very limited.

Co-operative labour contract societies, which have played an important part in construction abroad in countries such as France, Italy, Palestine and New Zealand, have been few in India, there being 28 societies in Madras in 1945-46, of which seven have been specially organized for demobilised services personnel. Considering the large number of unskilled labourers employed in public and private construction works in India, there appears to be good scope for the development of "group employment" through co-operative labour contract societies which would assure reasonable security and continuity in employment and a minimum subsistence wage as well as a divisible profit bonus to workers who are at present subject to unscrupulous exploitation by middlemen.

Transport co-operatives exist only in the Punjab, where 13 such societies, most of them recently started, were engaged in motor transport in 1944-45. Their members were lorry owners possessing licences under the Motor Vehicles Act. Their working appeared to be satisfactory except for the defect that membership was denied to workers. There appears to be considerable scope for the development of transport co-operatives, specially those consisting of demobilized technical personnel, in connection with the schemes for road transport development envisaged under the post war plans.

## (vi) CENTRAL FINANCING INSTITUTIONS

### (a) Central Banks and Banking Unions.

It was pointed out in the Review for 1939-40 that besides financing the affiliated societies most central banks undertook other banking business such as collection of bills, cheques, hundies etc., advances to individual members against Government Paper, bullion and agricultural produce—functions which are looked upon as falling more within the sphere of commercial banking. The years under review seem to have witnessed an intensification

of such types of activities, particularly as the war-time prosperity has brought about a rapid liquefaction of frozen loans in addition to heavy increases in deposits which have placed a large amount of funds at the disposal of the central financing agencies. It has been felt by some provinces that the available funds have been too large to be led into co-operative channels alone, and the demand from the societies for fresh finance has been hardly sufficient to absorb any big portion of them. Consequently, provinces like the Central Provinces and Berar and Bombay, have started advancing more and more funds to individuals. The view of the Reserve Bank on such a tendency as communicated from time to time to co-operative departments, is that while as a temporary expedient commercial transactions on the part of co-operative banks may be allowed to an extent, it should be the endeavour of co-operative institutions to explore further avenues of investment in exclusively co-operative fields for which there exists ample scope to-day. This aspect of the question has been dealt with in greater detail elsewhere.

A table is given on page 62 to show the important statistics relating to the working of central banks in India including certain states since 1939. It will be seen that the number of central banks has remained practically stationary around 600, probably because the optimum point has been reached. The number of individual members has also not shown any material change having in fact decreased from 81,347 in 1939 to 80,423 in 1946 evidently pointing to a tendency on the part of co-operative institutions to eliminate individual members. Another encouraging development is seen in the number of society members which has gone up from 96,106 to 118,094 during the same period. The capital structure of central banks has also shown improvement, the amount of owned funds having risen from Rs. 6.65 crores in 1939 to Rs. 8.45 crores in 1946, while the deposits have gone up from Rs. 18.34 crores in 1939 to Rs. 32.66 crores in 1946, an increase of about 78 per cent. With an increase in the working capital exceeding Rs. 15 crores, the need for loans from Government or provincial co-operative banks was evidently not felt as much as before and so there was a decline under this head from Rs. 5.09 crores in 1941 to Rs. 3.96 crores in 1946.

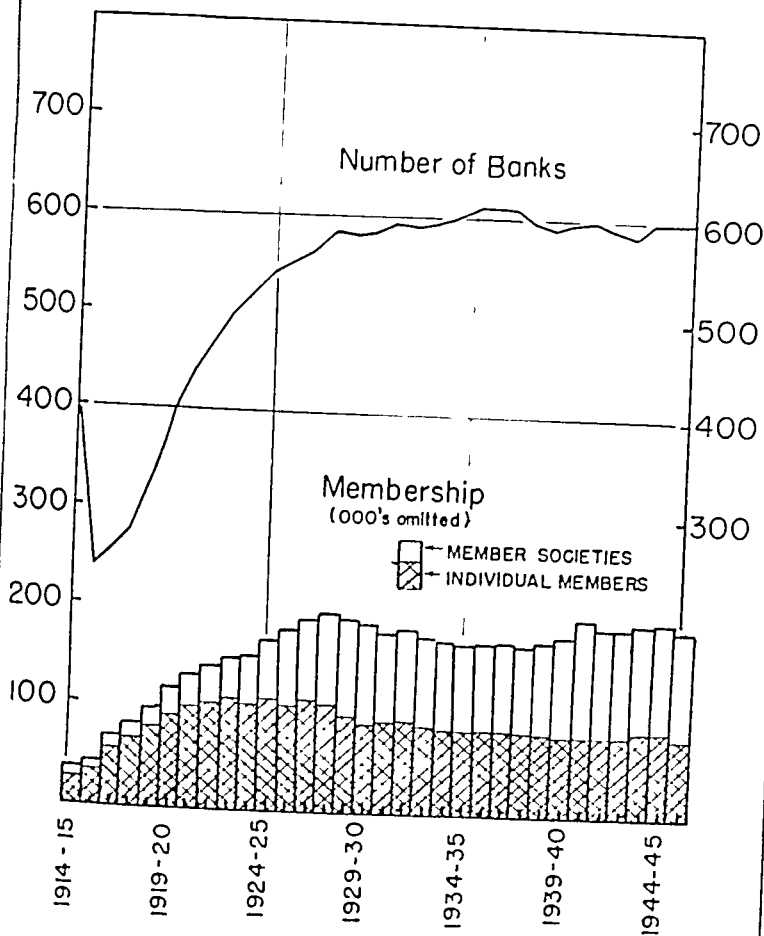
As regards the investment of the funds in loans and advances it will be seen that the loans outstanding have been almost stationary around Rs. 19 crores till 1945, though they have slightly risen to Rs. 20.36 crores in 1946 owing mainly to the financing of new co-operative ventures in some provinces. *Prima facie*, it will lead us to believe that the demand for loans has been shrinking, which, however, does not appear to be the case. The

TABLE No. 14.

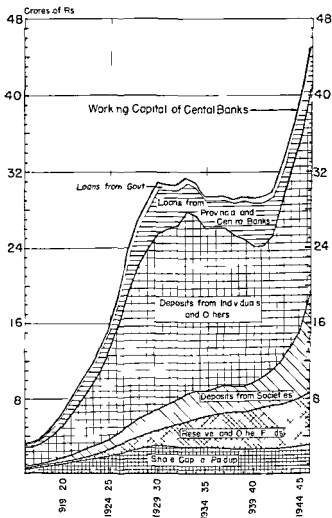
## OPERATIONS OF CENTRAL BANKS

Year	No of central co opera- tive banks	No of MEMBERS		Total	Owned funds (crores)	Amount borrowed (crores)	Deposits (crores)	Working capital (crores)	Loans out standing (crores)	Profit or loss (crores)
		Individuals	Societies							
1	2	3	4	5	6	7	8	9	10	11
					Rs	Rs	Rs	Rs	Rs	Rs
1939	594	81 347	96 106	1 77 453	6 65	4 43	18 34	29 42	19 93	39
1940	600	80 005	1 04 130	1 84 225	6 85	5 05	17 32	29 22	19 74	37
1941	601	79 834	1 21 292	2 01 126	7 04	5 09	17 19	29 32	18 98	33
1942	595	79 601	1 10 619	1 90 220	7 30	4 53	18 01	29 84	18 78	32
1943	589	79 499	1 11 628	1 91 027	7 38	3 77	21 70	32 85	18 92	45
1944	601	84 009	1 15 471	1 99 480	7 72	4 01	24 80	36 59	18 50	51
1945	602	83 914	1 16 411	2 00 325	8 06	3 91	27 82	39 82	19 09	53
1946	601	80 423	1 18 094	1 98 517	8 45	3 96	32 66	45 07	20 36	54

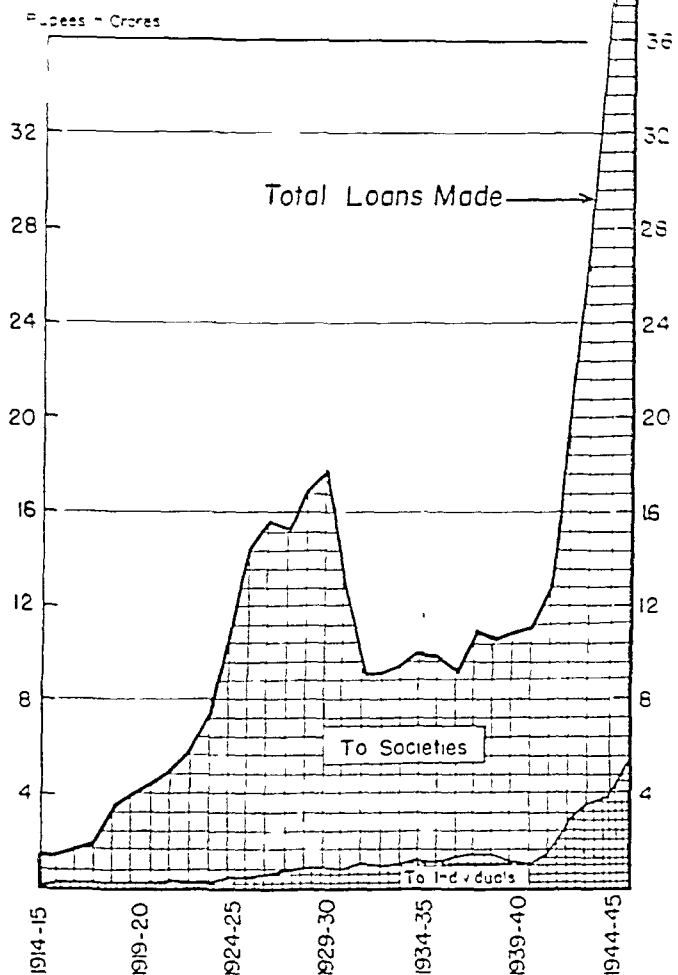
# NUMBER AND MEMBERSHIP OF CENTRAL BANKS



## WORKING CAPITAL OF CENTRAL BANKS



# FRESH LOANS MADE BY CENTRAL BANKS AND BANKING UNIONS



following table illustrates the position regarding fresh loans made and repayments from 1939 to 1946 :—

(In crores of Rs )

Year	FRESH LOANS MADE TO		Total	REPAYMENTS FROM		Total
	Indivi- duals	Societies		Indivi- duals	Societies	
1938-39 .. ..	1.36	9.15	10.51	1.41	8.85	10.26
1939-40 .. ..	1.08	9.79	10.87	1.14	10.13	11.27
1940-41 .. ..	1.00	10.05	11.05	1.07	10.64	11.71
1941-42 .. ..	1.46	11.55	13.01	1.38	11.80	13.18
1942-43 .. ..	3.12	17.95	21.07	2.72	16.67	19.39
1943-44 .. ..	3.66	24.35	28.01	4.65	24.80	29.45
1944-45 .. ..	3.78	35.43	39.21	3.78	34.94	38.72
1945-46 .. ..	5.44	37.63	43.07	5.00	36.97	41.97

It will be gathered from the data furnished above that fresh loans made by central co-operative banks and unions have been increasing from 1938-39 onwards, but while the increase was gradual up to the end of 1941-42 (the total amount of fresh advances made during that year was Rs. 13.01 crores), the subsequent four years have witnessed a phenomenal rise in the advances. In fact, there has been more than a trebling of the amount at the close of the year 1946, when fresh loans made to societies and individuals are shown at Rs. 43.07 crores. It is evident, therefore, that the stationary nature of loans outstanding is not due to any constriction in fresh advances, but to the prompt repayments effected during the period under review. A reference to these figures also shows that as between individuals and societies, despite the trend towards commercial banking in some provinces, advances to individuals are much smaller than those to societies. Unfortunately, we do not have figures to show the position of overdues in all the provinces. However, there is reason to believe that overdues have decreased considerably in many provinces as can be inferred from the examples of Madras and the United Provinces for which figures are available.

Percentage of overdues to outstandings in central banks :—

			Madras	U.P.
1938-39	..	..	49.8	36.1
1944-45	..	..	7.7	16.8
1945-46	..	..	6.7	†

The reduction in overdues in respect of Madras has been very marked, declining from 49.8 per cent in 1938-39 to 6.7 per cent

† Not available.

in 1945-46 while in the United Provinces also the improvement is not inappreciable the overdues having fallen from 36.1 per cent to 16.8 per cent in 1945. The profits made by all the central banks have also shown about 40 per cent increase from Rs. 0.39 crore to Rs. 0.54 crore.

Appendix No. 8 gives figures regarding central co-operative banks and banking unions on a province-wise basis. It will be seen therefrom that while the banks in Madras, Bombay and the Punjab have shown good progress, those in Bengal have remained more or less stationary while those in Bihar have considerably deteriorated. The total number of members affiliated to central banks in the Punjab remained practically the same (round about 20,000) but the deposits held from individuals and societies stood at Rs. 7.3 crores and Rs. 2.6 crores respectively at the end of 1945-46 representing an increase of Rs. 5 crores which was the largest figure for any province in India. Their total working capital at Rs. 12.07 crores also represented an increase of Rs. 5.50 crores over 1938-39. But in the matter of loan operations Madras and Bombay would seem to have fared better than the Punjab. In fact the outstandings in the Punjab at the end of 1944-45 were actually lower than those of 1938-39 by about Rs. 7 lakhs though the position as at the end of 1946 showed some improvement and the difference over 1938-39 was brought down to Rs. 25.57 lakhs. In Madras with the number of central banks remaining stationary at 30 the membership under both individuals and societies at 4,319 and 13,269 respectively at the close of 1945-46 showed an increase of 3,211. Similarly the total deposits and working capital at Rs. 7.50 crores and Rs. 9.90 crores were higher than the 1938-39 figures by Rs. 3.72 crores and Rs. 4.31 crores respectively and ranked next to the Punjab. As regards fresh loans made repaid and outstanding Madras leads the rest of the provinces. The increase in the loan operations may be attributed to the greater demand for financial accommodation from consumers, stores, weavers, societies and loan and sale societies which have made marked progress in that Province.

In Bombay central banks numbering 13 are not operating in all the centres while 50 places are being served by branches of the Provincial Co-operative Bank direct. Even so the number of members, individuals as well as societies stood at 13,029 and 3,659 respectively representing an increase of 4,023 and 917 under both the heads. Bombay showed the largest increase under individual membership. The total deposits and working capital at Rs. 6.06 crores and Rs. 7.00 crores represented a rise of Rs. 3.67 crores and Rs. 4.01 crores over the figures of 1938-39. Loans issued repaid and outstanding were not so considerable as in the case of Madras.



Among the provinces that did not fare well, mention might be made of two in particular, namely, the Central Provinces and Berar and Bihar. In the latter province, rehabilitation was carried on intensively with the result that the activities of the co-operative banks were brought more or less to a standstill. The effects of this rehabilitation were reflected in the figures. Bihar shows a decline in the number of central banks, number of members, deposits and working capital and amount of loans made and outstanding; deposits and working capital declined by Rs. 58 lakhs and Rs. 125 lakhs in 1946 as compared with the figures of 1939. Loans outstanding at Rs. 14 lakhs were short of the 1938-39 figures by about Rs. 104 lakhs. In the Central Provinces and Berar, while the number of banks remained on the whole unaffected, membership decreased by 6,851 and deposits and working capital declined by about Rs. 24 lakhs and Rs. 68 lakhs respectively as compared with the figures of 1938-39. Fresh loans made and loans repaid during the year 1946 almost balanced each other at Rs. 3½ crores. But the outstandings at Rs. 113 lakhs showed a decline of about Rs. 32 lakhs from the figures of 1938-39, mainly owing to the excess recoveries effected during the years 1940 to 1942, as a result of rehabilitation.

#### Non-credit Activities.

In certain areas, central banks have been taking interest in activities other than credit. The central banks in provinces like Madras, Bombay and the United Provinces, are reported to have helped in the furtherance of the "grow more food" campaign. The institutions in Madras have assisted the campaign through the seed multiplication scheme, supply of manures, and financing of cultivation. In Bombay they have been of use in the distribution of seed and manure. Again, some of the central banks have been taking an active part in the distribution of food-stuffs and other consumers' goods at fair prices. The banks in Bombay and Madras have given financial accommodation to stores and societies for the purpose and have helped in the running of "fair price" shops. Even in Bengal where things are not very happy, central banks have served as agents for the Government for the distribution of controlled articles and the profits earned are reported to have improved their financial position.

To sum up, the war period has led to a considerable increase in the deposits and working capital of central banks in general. The overdues position has shown considerable improvement. The outstanding loans, however, would, as in other cases, lead us to believe that loan transactions in general showed a decline. Indeed it may be mentioned that the outstandings of central banks against agricultural societies have been going down considerably though they have been in part made up by the increased demand from the various non-credit organizations which have gained prominence

during the period. This phenomenon in respect of outstandings is due to the fact that owing to agricultural prosperity repayments have been very satisfactory and in excess of fresh finance taken and not due to any decline in the demand for fresh finance altogether. It may be mentioned that provincial reactions to war time influences have not been uniform or similar as could be seen from Appendix No 8. But there is no gainsaying the fact that there has been a general improvement in the financial position of the central co operative banks as a result of the war and they have stood erect again from the tottering position in which many of them had found themselves just before it.

### (b) Provincial Co operative Banks

Perhaps in no other group of co operative institutions would the problem of surplus funds be so apparent as in the case of these institutions. A large increase in working capital mainly accounted for by a heavy inflow of deposits, the almost stationary nature of the outstanding loans caused by satisfactory repayments of all fresh advances taken and the consequent investment of the swollen surpluses in Government and approved securities are the main features of the working of the provincial banks during the period under review. The figures in the subjoined table bear out these trends.

The number of banks which remained constant at 10 till 1944 rose to 13 with the organization of the U P Provincial Co operative Bank towards the close of that year and the declaration of the Ajmer Merwara and Coorg Central Co operative Banks as Provincial Co-operative Banks in 1946. The membership increased from 23 276 in 1939 to 27 785 in 1946 due mainly to the large number of individual members admitted in Bombay and the Central Provinces and Berar. The owned funds at Rs 3 03 crores in 1946 were about 54 per cent higher than the 1938 39 figure while the deposits more than doubled themselves over the same period. These two items *viz* owned funds and deposits accounted for a rise of about Rs 12 crores in the total working capital at Rs 24 90 crores.

From the figures relating to the assets side it would be observed that the amount of loans outstanding was almost constant with but slight ups and downs while its ratio to the total working capital actually went down and remained at about a third since 1943 and then declined to about a quarter in 1946. Fresh loans made were not only not in keeping with the growth in the working capital but showed little rise till the end of 1943. In that and the subsequent years however fresh loans rose to Rs 9 95 crores Rs 17 90 crores Rs 16 35 crores and Rs 16 88 crores respectively. The repayments were also showing the same

# NUMBER AND MEMBERSHIP OF PROVINCIAL BANKS

Excluding Burma after 1936-37

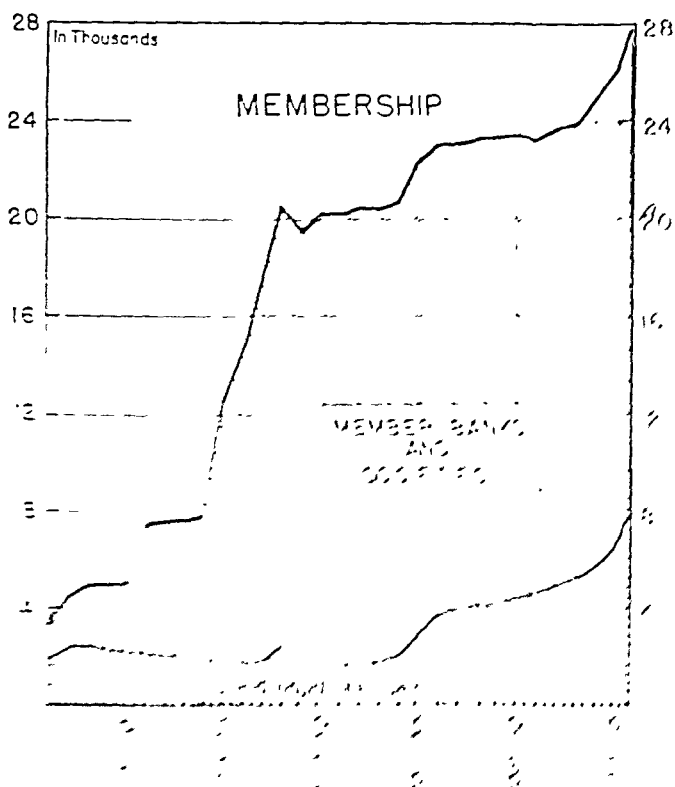
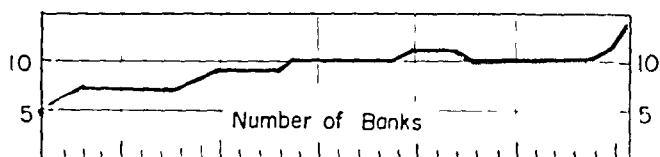


TABLE No. 15

## OPERATIONS OF PROVINCIAL CO-OPERATIVE BANKS.

(In crores of rupees)

Year	No of Banks	No of members		Total	Owned funds	Loans	Depo- sits	Working capital	Invest- ments	Fresh loans made	Repay- ments	Loans out- standing	Profit or loss
		Indivi- duals	Banks & societies										
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1939	10	4,196	19,080	23,276	1.97	0.15	10.73	12.85	5.84	7.33	6.85	6.64	.11
1940	10	4,407	18,974	23,381	2.24	0.61	10.56	13.11	5.58	7.06	6.61	7.01	.09
1941	10	4,537	18,838	23,375	2.38	0.59	10.92	13.89	5.62	6.93	6.95	7.00	.08
1942	10	4,850	18,778	23,628	2.27	0.70	11.57	14.54	5.90	7.98	8.25	6.58	.01
1943	10	5,160	18,695	23,855	2.33	0.54	14.61	17.48	9.88	9.95	10.83	5.64	.08
1944	10	5,560	19,171	24,731	2.45	0.40	15.89	18.74	10.46	17.90	17.24	6.16	.11
1945	11	6,195	19,519	26,014	2.71	0.30	17.57	20.58	11.61	16.35	16.06	6.37	.14
1946	13	7,728	20,057	27,785	3.03	0.24	21.63	24.90	14.75	16.88	17.15	6.51	.14

trend being almost equal to the fresh loans advanced. The result of these trends was that the banks had more liquid funds than before, which were invested in Government and approved securities, such investments amounting to over Rs. 14 crores in 1946 as compared with about Rs. 6 crores in 1939.

The profits earned showed no material increase nor any uniform trend. They even came to a negative figure in 1942 mainly owing to the loss of nearly Rs. 10 lakhs by the Central Provinces and Berar Provincial Co-operative Bank. The position of the provincial co-operative banks in general was, however, very satisfactory particularly from the depositors' point of view with over 50 per cent of their funds invested in approved securities.

It may be worthwhile to make particular reference to some of the important provincial co-operative banks such as those of Bombay, Madras and the Punjab. The Bombay Provincial Co-operative Bank made commendable progress during the period. Its deposits at Rs. 6.51 crores in 1946 were higher than the 1938-39 level by Rs. 4.59 crores. Fresh loans made amounted to Rs. 7.09 crores in 1946, being the largest amount under this head for any province probably because it functioned as a district bank for a good part of the province. It may also be observed that loans to individuals which were mainly against agricultural produce constituted nearly 30 per cent of the total loans. This ratio offers a marked contrast to the ratio of 8 per cent in Madras on the one hand, and over 90 per cent in the case of the Central Provinces and Berar, on the other. The Provincial Co-operative Bank also took interest in the development of marketing societies, industrial societies and consumers' stores by granting loans and subventions and rendered useful service in co-ordinating the activities of the various co-operative organizations through the Bombay Co-operative Banks' Association.

The Madras Provincial Co-operative Bank has also made appreciable progress. The detailed figures are given in Appendix No. 9. In 1943, the Bank has started a scheme of inspection of the working of loan and sale societies affiliated to the central co-operative banks. This was with a view to impressing on the central banks the need for taking proper measures in accordance with the rules framed by the Registrar in consultation with the Provincial Bank. The scheme has been working so far with a fair measure of success. The Provincial Bank also took a vigorous part in the financing of procurement operations and distribution of food stuffs. In 1944, it began to finance certain wholesale stores directly, *viz.*, those at Anantapur and Cuddapah. On the whole the Bank has given a very satisfactory account of itself, if its deposits have not increased further it is due to the restraint it has had to exercise on account of the statutory limitations placed on its borrowing power.

The Punjab Provincial Co-operative Bank ranked next to Bombay and Madras in respect of deposits which at Rs. 3.38 crores in 1946 were higher than the 1938-39 figure by Rs. 2.13 crores ; but its loan operations came down considerably, the amount outstanding at the end of 1945-46 being Rs. 0.09 crores out of its total working capital of Rs. 3.74 crores. Of the balance, Rs. 3.58 crores were held in the shape of cash and approved securities. Fresh loans made were very little. The Provincial Bank has frankly admitted that the swelling of deposits and re-deposits and the precipitous downward trend in the demand for accommodation by central co-operative banks and unions have left the Bank no choice but to increase its investments in Government Securities.

A word about Bengal may not be out of place here. The Movement there appears to have reached a stage of stagnation and is under reconstruction. Loans and advances outstanding against societies at Rs. 1.34 crores (as on 30-6-45) are mostly frozen with about a crore classified as overdue and a sum of over Rs. 20 lakhs as due from societies in liquidation. The Provincial Bank is also under a scheme of rectification.

There is not much to mention about other provinces except the Central Provinces and Berar, where the Provincial Bank seems to have become almost a commercial institution. It started by diverting its surplus funds into commercial channels and perhaps finding such investments easier and more remunerative, it has expanded its commercial activities considerably by opening a number of offices for the purpose. During the year 1946, over 90 per cent of its fresh advances were made to individuals and only an insignificant portion to co-operative societies. Of late, however, the Provincial Bank appears to have veered round and the tendency is seen on the part of the Bank to increasingly finance societies dealing in crop loans.

The foregoing account will make it clear that the provincial banks in general made commendable progress during the period under review. Apart from banking activities, some of them (e.g. Madras and Bombay), evinced keen interest in other co-operative activities also such as the linking of the various co-operative organizations together and the financing of activities connected with supply and distribution of food-stuffs and other necessities with a view to combating black-market operations. With large amounts of surplus funds at their disposal and a considerably strengthened financial position, the provincial banks, instead of venturing too far in the sphere of commercial banking, should be in a position to explore avowedly co-operative channels of investment, thereby fulfilling their true function as the apex institutions of the provinces concerned for the movement.

## CHAPTER III

### CO-OPERATIVE EDUCATION AND TRAINING    AUDIT SUPERVISION    INSPECTION AND LEGISLATION

#### **Co-operative Education**

The importance of giving the right type of education to the workers engaged in the Co-operative movement was emphasized in our previous Review. Our remarks would appear to have the same force even to-day because co-operative education has remained a comparatively neglected aspect of the Movement. If the Movement is to develop on a sound basis and expand in diverse directions it is necessary that those who guide it are thoroughly conversant with the principles and practice of Co-operation. It is therefore worth repeating that the success of the Movement involves as a preliminary step the imparting to them of the right type of education in its principles and practice. This training apart it would also be necessary to have some kind of a research bureau to work on all subjects pertaining to the Movement so that it can be developed in line with the changing conditions in the economy of the country. We would refer in greater detail to this subject later in this chapter.

The attempts made in the different provinces for imparting training in Co-operation are briefly described in the following paragraphs.

#### *Madras*

Co-operative education and training in the Madras Province is imparted through the medium of five co-operative training institutes in the Province—the Central Co-operative Institute at Madras and four mofussil institutes at Coimbatore, Tanjore, Anantapur and Rajahmundry. The scheme in force provides for the training of (i) official staff (ii) non official staff for employment in co-operative institutions (iii) members and panchayatdars of societies and (iv) servicemen and ex service personnel. The training of ex servicemen is part of the general post war plans of the Province. The Madras Public Service Commission selects candidates for the post of junior inspectors from among the graduates of recognised universities except in the case of candidates belonging to the scheduled castes. Each candidate is given theoretical training in the Central Co-operative Institute at Madras for nine

months and practical training for three months, and they are required to pass an examination in co-operation, auditing, banking and book-keeping conducted by the Registrar.

A refresher class for departmental inspectors is conducted every year in each district for a week in January or February. These classes aim at imparting instruction to the subordinate staff to bring their knowledge up to date and at a common pooling of ideas.

The four mofussil institutes impart training to the non-official staff. The training which includes a practical course as well, covers a period of nine months. The funds of these institutes consist of tuition fees, contributions by central banks and the Madras Provincial Co-operative Union and grants from Government. At the end of the course an examination is held by the Provincial Co-operative Union and certificates are awarded to the successful candidates.

The training classes for panchayatdars and members of societies are held at 48 centres throughout the Province, from the 1st April to the 30th June, during the period when the training institutes are not in session. Normally, two training centres for each district are selected and classes are held at these centres through the agency of the four mofussil institutes for a period of 15 days at each centre. The candidates undergoing training are given a stipend of Rs. 15 each and 25 candidates are selected for each of the 48 training centres. The superintendent and the two lecturers of the institutes take up about two districts each for the conduct of the training classes where instructions regarding the working of the several types of societies and the proper maintenance of their books and accounts are given. The Government have sanctioned to the Madras Provincial Co-operative Union a subsidy of Rs. 15,800 per year for conducting these training classes.

The Government also permitted the training of 200 ex-servicemen—100 in the long course for nine months and 100 in the short course for three months—and they are now undergoing training in all the five institutes. The tuition and other fees payable by the candidates to the institutes are met by the Government. The trainees are given a stipend of Rs. 35 a month for the period of training. They have to give an undertaking that in case they fail to serve either in the Department or in any of the co-operative institutions for two years after the completion of training, they will have to refund the tuition fees and stipends. Similar training is given to serving military personnel; the entire cost of their training is borne by the military.

*Bombay.*

Here also, co-operative education is the joint concern of the official and the non-official elements in the Movement. As a direct



official measure, a training centre in charge of an Assistant Registrar was opened at Poona in September 1944, to train the officers of the Co-operative Department, the personnel for the development of the Movement under the post war reconstruction schemes and the staff for the normal growth of the Department

Three training schools at Ahmedabad, Poona and Dharwar have been opened by the Bombay Provincial Co-operative Institute from the 1st July 1944 for training the secretaries of rural societies, managers of sale societies and of regulated markets, and officers of urban societies and of other important co-operative institutions. The Institute also holds refresher classes for supervisors bank inspectors and assistant district co-operative officers and imparts co-operative training in the districts through the education committees of the district boards of supervising unions. In areas not served by such boards it appoints its own education committees. In a few districts it maintains educational supervisors to train the secretaries and committee members of rural societies also.

During 1945-46 the Institute conducted two regional schools, one in Bombay and the other in Poona for coaching candidates for the Co-operative Diploma Examination. During the same period, the Government appointed a Committee on Co-operative Education and Training to examine the existing arrangements for co-operative education and for the training of the staff of the Co-operative Department and of various types of co-operative institutions. The Committee have made many important recommendations which have been accepted by the Government.

### *Bengal.*

In Bengal, co-operative education has become entirely a concern of the Government which maintains a Training Institute, staffed by an Officer in Charge, and 6 inspectors, for training the departmental officers and other candidates for the post of inspectors, auditors and assistant auditors and supervisors, managers and secretaries of central banks and societies. The course is for seven months except for the managers, secretaries and supervisors for whom the period of training is only four months. Five peripatetic instructional units are also maintained by Government for the training of the members of rural societies and for holding refresher courses for those already trained in the Institute.

### *The United Provinces.*

The training of the officials and other members of co-operative societies is recognized as the most essential step for the development and success of the Co-operative movement, but while the Province has a satisfactory system of training for officials, there are no adequate arrangements for training non official co-operative workers like the members and secretaries of societies.

Members of the gazetted staff of the Department get the necessary training in the theory and practice of Co-operation from the senior Assistant Registrars. The training of the subordinate staff of inspectors and auditors is arranged for by the Registrar at the Co-operative Training Institute at Partabgarh. The period of training lasts for 10½ months. Theoretical classes for about 5 months are held at the Institute by two inspectors of the Department provided by the Government; for the remaining period, the candidates receive practical training under inspectors and auditors. The training period is followed by an examination.

The usual class at the Institute is that of supervisors who are employees of the Provincial Co-operative Union; the period of training for them is 9 months, nearly half of which consists of practical training with senior supervisors. Training in agriculture is also given to the candidates. Refresher classes are also held from time to time for the benefit of supervisors, in the circle of each Assistant Registrar.

There were no regular classes for training employees like managers and accountants of co-operative institutions. Classes were held whenever a sufficient number of candidates were forthcoming. Very few classes were held in the past as the banks found it difficult to spare the staff for training.

The Government of India made a grant of about a lakh of rupees for the training of members of societies during 1936-37, and with that grant, several classes for panches and secretaries were held during the period 1936-41. The Government of India's grant ceased in 1941; since then only a few classes have been held with the aid of contributions from societies. A scheme for starting these classes again has been drawn up by the Provincial Co-operative Union and is under the consideration of the Provincial Government. According to this scheme, the central banks and primary societies will make annual contributions out of their profits at the rate of six pies per rupee. The amount so realised will be administered by the Union. To begin with, it is proposed to raise Rs. 13,000. The Government have been requested to contribute an equal amount and appoint three educational inspectors.

#### *Punjab.*

There is a separate staff for co-operative education and training, which delivers lectures in schools and colleges on co-operative subjects and conducts refresher courses. The present staff consists of 2 educational assistant registrars, 10 educational inspectors and 10 educational assistants. Training classes are held for inspectors, supervisors, sub-inspectors, auditors, secretaries and office-holders of primary societies, staff of central banks and unions, managers and 'munims' of commission shops, liquidators, and

the rapidly changing economic and social conditions of the areas it serves is necessary, to enable a readjustment of its programme to suit the necessities of the situation. What is called for is not only a mere periodic stock taking of the number of societies and the magnitude of their operations, but a ceaseless analysis of the factors that impede or accelerate the attainment of the objects of the different types of societies. The need for research in Co-operation is therefore, urgent.

However from the review of the research activities in various provinces we find that research in Co-operation is almost totally neglected only a few provinces like Bombay Bihar and the United Provinces having made any attempt in this direction. In Bombay, the Provincial Co-operative Institute has appointed a Research Committee, which has undertaken an investigation into the effects of war time economy on the indebtedness and general economic conditions of members of agricultural societies. The Bombay Government has sanctioned a special grant of Rs. 1,000 in 1945 to the Institute for this purpose. In addition, the Institute received a grant of Rs. 500 from the Bombay Co-operative Banks' Association for this work and about Rs. 500 more from a few central and urban banks. The Post War Development Committee (1944) of the Institute recommended in this connection the organization of a special Co-operative Research Board, which should undertake investigation into the various co-operative problems and should guide and co-ordinate research activities in the Province.

In Bihar no permanent arrangements exist for research work in Co-operation. Recently however, the Government have sanctioned an annual grant of Rs. 5,000 for five years to the Bihar Co-operative Federation to undertake research in Co-operation. In the United Provinces it is proposed to start a co-operative research bureau and attach it to the departmental library. The functions of this bureau will be to encourage research students for undertaking special studies of Co-operation, to assist and co-ordinate research in Co-operation by university students, to encourage the departmental staff to produce expert brochures on subjects connected with the practical working of the Co-operative movement and so forth. For financing the activities of this bureau it is proposed to collect a sum of about Rs. 2 lakhs from co-operative societies in the Province. In the Punjab, very little research is done by the Co-operative Department, but the Board of Economic Enquiry in that Province maintains an expert staff for conducting research in agricultural economics.

The above account will show that co-operative research in India is in its infancy. In this connection a reference may be made to the suggestion made in our previous Review for setting up a Co-operative Research Bureau which would make a thorough study of the broad economic and social conditions of different

regions and the factors that determine the cultivator's well-being. The Bureau would study the question of adapting the forms of Co-operation to the requirements of different tracts and kinds of people. It would make an intensive and continuous study of co-operative problems and enable the Registrar to formulate his plans for the expansion and consolidation of the Movement on the basis of fuller knowledge and more adequate information than he is able to command at present. A reference is also invited to the proposals of the Co-operative Planning Committee for the establishment of a Co-operative Institute of Advanced Studies and Research which would serve the two purposes of providing facilities for advanced studies and of organizing research. This scheme is worthy of consideration.

### Audit.

The audit of all societies once a year is the statutory duty of the Registrar and in most provinces, the work is carried on by a special staff employed by the Co-operative Department. In Bombay, for example, in addition to special auditors, a staff of auditors and sub-auditors is employed by the Department. The special auditors are entrusted with the work of auditing the provincial and central banks and major societies and the auditors and sub-auditors with that of the smaller societies. In Madras, Bengal and North-West Frontier Province also, the audit work is carried out by the departmental staff. In the Central Provinces and Berar, the larger societies are audited by departmental circle auditors, the audit of the smaller societies being undertaken by society auditors appointed and controlled by the Registrar and paid out of an audit fund. The latter, however, are not Government servants. In the Punjab, the work is in the charge of the Co-operative Union which employs and maintains the audit staff. In Bihar, with the exception of the Chief Auditor who is a gazetted officer of the Department, the audit staff was employed by the Co-operative Federation. In 1938, however, the audit staff of the Federation was taken over by the Government. In some of the provinces, *e.g.*, North-West Frontier Province and certain parts of the Punjab, the functions of audit and supervision are not separate and are performed by one and the same person. In most of the provinces, professional auditors are appointed to audit the accounts of provincial co-operative banks, central co-operative banks and other big institutions with the sanction of the Registrar.

In our previous Review we had made certain observations regarding audit work which are worth repeating here. We said that a requisite of efficient audit was that the staff should be adequate, well-trained and properly controlled; and an efficient system of test audit is a necessary instrument of proper control and the audit staff should be separate from and independent of the inspection staff.

The Co-operative Planning Committee held that audit was one of the statutory duties of the Registrar and it should remain so they however felt that the Registrar might delegate this function to non official federations or institutes which should maintain a staff of duly qualified auditors as in the Punjab Bihar and other provinces for the smaller societies For the larger societies and central banks the Registrar might assign the audit to auditors placed by him on a panel The practice of combining the functions of audit and supervision in one person was held undesirable as it was likely to lead to inefficiency

### Supervision

In our previous Review it was mentioned that no outside supervision may be necessary where members of societies are well grounded in the principles of Co-operation In a backward country like India however strict control and supervision is necessary while the need for such supervision was recognized by successive committees and commissions in India no uniform guidance was available as regards the most suitable agency for undertaking this work This statement holds good even during the present period different provinces having developed different systems of supervision In the United Provinces and the Punjab the work is undertaken by the provincial unions which have the necessary staff for the work The unions get their funds from contributions from societies and Government grants The supervisors work under the departmental staff In Bombay the machinery consists of local supervising unions district boards of supervising unions and the Provincial Board of Supervision The Provincial Board co-ordinates and systematizes supervision The expenses are met out of contributions from societies and financing institutions and grants from the Government In 1945-46 the Government accepted the proposal made by the Provincial Board of Supervision that Government should bear the entire financial responsibility for the supervision staff which should also be treated as a temporary addition to the departmental staff Orders to this effect were implemented from 1-4-1946 In the light of these orders the district boards of supervising unions had to be relieved of the control over the supervision staff and all the district boards as well as the other agencies entrusted with the work of supervision were asked to modify their constitution so as to divest them of all the powers relating to the appointment promotion and transfer of the supervision staff Sind follows the practice of Bombay and the expenses of supervision are met out of supervision fees levied from societies for the purpose and subsidies received from the Sind Provincial Co-operative Bank and Government In Madras the supervision of a large majority of the societies is in the hands of the local supervising unions whose activities are co-ordinated by the central banks concerned The expenses are met from fees paid by

the societies and contribution from the central bank. In some areas, however, the central banks have undertaken the work of supervising the societies affiliated to them through their own staff. Supervision in the Central Provinces is done by the four divisional co-operative institutes in association with the central banks which are affiliated to them. The staff of supervisors, though employed by the institute, work under the education and supervising committees consisting of representatives of central banks and societies. The income of the institute consists of contributions from societies and central banks and grants from Government. In Berar, Bihar, Orissa, Bengal and Assam, supervision is undertaken by central banks who employ a staff of supervisors and meet the cost from their own funds. On account of financial difficulties the central banks were not able to maintain an efficient staff and consequently, the work in these provinces had been unsatisfactory in the past. In the North-West Frontier Province, the departmental staff undertakes the work of supervision.

As stated in our previous Review, no uniform agency can be prescribed for the purpose for the whole country in the face of the diversity of existing practices and different historical backgrounds ; it can, however, be safely said that numerous and overlapping agencies of supervision giving discrepant advice to the societies with only a partial and perfunctory view of their operations and problems, should be avoided. What is necessary is a small and well-paid staff working in a compact area on the basis of some degree of continuous personal contact with the people of the locality watching the growth of Co-operation with a clear understanding of local conditions, and directing it along right and sound lines. The Co-operative Planning Committee have suggested in this connection that a federation of co-operative societies formed for a province and maintaining an adequate and efficient staff is the most desirable organization for undertaking supervision work ; Government should provide it with sufficient subsidies. The Committee add that in many areas, the entire cost of supervision may have to be borne by the Government.

### **Inspection.**

There is no material change in the position since the last Review was published. In a majority of the provinces, the inspection of co-operative societies continues to be undertaken by the Co-operative Department and a separate staff is usually employed for this purpose. In some provinces such as Bombay and Madras, the financing agencies also maintain a staff of "inspectors" who generally look into the working of societies. Besides, the Co-operative Societies' Acts in all provinces provide for the statutory inspection of the books of a society by the Registrar on the application of a creditor whose claim has not been satisfied within a reasonable time. The Co-operative Planning Committee held

that the function of inspection should continue to be performed by the Registrar as it would also help him to keep in close touch with the working of the Movement, though they would favour the transfer of this function to non-official bodies gradually

### **Legislation and Administration.**

A reference was made in the previous Review to the fact that with the transfer of Co-operation to the provincial governments in the transferred departments in 1919, various provinces, namely, Bombay including Sind, Madras, Bihar and Orissa, Coorg and Bengal, passed separate Acts to regulate the working of co-operative societies. It was also stated that besides strengthening the hands of the Registrar in dealing with unsatisfactory societies, the broad purpose of the various changes introduced in the parent Act of 1912 by the Provincial Acts has been to assist the rehabilitation schemes in different provinces and to help the reorganization work of co-operative societies on better lines.

The experience of the working of the Co-operative Societies Act of 1912 and the Acts passed subsequently by the various provinces has shown that they stand in need of revision in certain respects. The Co-operative Planning Committee have gone into this question thoroughly and made several suggestions regarding the amendments which they consider necessary. The amendments relate, among other things, to matters like the right of appeal against the decisions of the Registrar refusing to register a society, voting rights of members, amalgamation and liquidation of societies, arbitration, recovery, and so forth. It is unnecessary to dwell at length on these as the subject has been dealt with in a comprehensive manner by the Committee whose various recommendations merit the close attention of the provincial governments.

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**Note** For the descriptive portions of this chapter we have made use of the material collected by us for the Co-operative Planning Committee

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## CHAPTER IV.

### REHABILITATION AND REORGANIZATION.

It was stated in the previous Review that with the onset of the depression in 1929, the Co-operative movement suffered a serious set-back and in those provinces such as the Central Provinces and Berar, Bihar, Orissa, Bengal, Assam and Sind where sufficient caution had not been exercised during the period of expansion, the Movement was facing a crisis, while in other provinces such as Madras, Bombay and the Punjab also, it was confronted with such serious problems as heavy overdues and sharp curtailment in fresh advances. The situation was so grave that various provinces appointed committees to take stock of the position and to devise ways and means of reorganizing the Movement. In some provinces definite schemes for rehabilitation were drawn up. These schemes though differing in details were broadly based on the plan of rehabilitation adopted in Burma, the cardinal feature of which was to examine the loans due to societies and scale them down to the paying capacity of the borrowers. The reduced amounts were payable in instalments covering a maximum of 20 years. The land in the possession of societies was to be returned as far as possible to the original owners on the hire purchase system. The societies were to write off bad debts from their owned funds and if their realizable claims fell short of their liabilities, the financing agencies like the central banks were to reduce their claims proportionately. The bad debts of central banks were to be written off from their funds and if the liabilities were more than the assets, the banks were to approach their creditors for reducing their claims. In order to facilitate a compromise between the banks and the creditors, special provisions were made in the Co-operative Societies Act. The governments of the respective provinces agreed to give financial assistance to help the process of rehabilitation. Details about the schemes in different provinces were given in the previous Review.

During the period covered by this publication (1939-46) active steps to implement the schemes were taken in several provinces, particularly in the Central Provinces and Berar, Bihar, Orissa and Sind, while in other provinces such as Bengal and Assam practically no progress was made in that direction. The task of rehabilitating the Movement in the provinces mentioned above was greatly helped during the period of the second World War on account of the rise in prices of agricultural produce as well as of land and the central



banks in several provinces succeeded in paying off their creditors and were in a position to start their career afresh. A detailed account of the progress made during 1939-46 in various provinces is given below.

### *The Central Provinces and Berar*

There were 35 central banks working in the Province of which 14 were brought under the scheme of rehabilitation. The necessary inquiries were completed in all the banks during 1940-41 and 1941-42. The findings of the inquiries were implemented during 1942-43. The amendment of the C. P. Tenancy Act in 1940-41 making occupancy lands mortgageable and saleable for co-operative dues gave a much needed aid to the Co-operative movement in the Province where the majority of the members were occupancy tenants. It made available to central banks and their affiliated societies security in the shape of occupancy lands where no security existed before and as a result large portions of the debts which were formerly considered to be bad became good. The law of pre-emption in Berar was also amended during the period. Under this law co-operative societies and their members were exempted from the operation of the relevant provisions of the Berar Land Revenue Code. Thus facilitated the sale of lands belonging to banks and societies and also the implementing of the rehabilitation proposals. The rise in the prices of agricultural produce and lands brought about large recoveries of loans and the banks were able to realise a substantial portion of their assets. At the end of 1944-45 only 2,538 acres of land remained with the banks as against 66,000 acres at the commencement of the rehabilitation work. The repayments to creditors were also very satisfactory. Out of the conciliated amount of Rs. 64.68 lakhs claims of Rs. 9.66 lakhs only remained to be paid at the end of 1944-45. The Co-operative Societies Act was amended so as to permit the central banks under rehabilitation to resume their normal working. Crop loan societies were also organized to supply crop finance to the members of the reconstructed institutions. Such societies numbered 576 and their working capital amounted to Rs. 8.12 lakhs at the end of 1944-45.

### *Bihar*

The rehabilitation scheme originally approved by the Government contemplated uniform application of the scheme all over the province. But subsequently there arose some difficulty about making the lands in Chota Nagpur and Santhal Parganas saleable for co-operative debts and pending a decision on this issue the application of the scheme in those areas was held up and it was applied in Bihar proper only where 27 central banks were reconstructed by 1945. However the Government sanctioned a modified scheme in 1944 for Chota Nagpur and another in 1945

for Santhal Parganas. The reconstruction work in all the nine banks in Chota Nagpur was completed by March, 1945. All these banks have been placed under the direct control of the Bihar Provincial Co-operative Bank for two years for better supervision and expeditious collection of what are called 'eliminated assets'.

It was, however, felt that at least for some time, the purely co-operative work of the Provincial Bank and the central banks would continue to dwindle. It was, therefore, necessary to devise ways of expanding the business of the Provincial Bank and of the reconstructed central banks in other ways; a scheme based on the working of the Credit Agricole D'Egypte was accordingly prepared in 1944. Under the scheme, the Provincial Co-operative Bank is to make advances to members of societies as also to non-members (to the former through their societies, and directly to the latter) the difference in treatment being that the rates of interest on loans to members of societies would be  $1\frac{1}{2}$  per cent below the rates to be charged to non-members. The advances are to be in kind as well as in cash. The former are to consist of seed, manure and simple agricultural implements, while cash advances would be made on the security of agricultural produce. The advances are to be made through the reconstructed central banks working as agents on a commission basis. In areas where no reconstructed central bank is functioning, the Provincial Co-operative Bank is to make advances through its own staff by opening branches or sub-offices. Till the central banks have acquired the necessary experience, seed, manure and implements are to be stocked by the Agricultural Department of the Government in their depots located at convenient centres.

The scheme was put into operation in November 1944. During 1944-45, eight seed and manure depots were opened in Patna District and the Provincial Bank was made the sole distributor of chemical fertilisers in that area. Its success in that line led to its being made the sole distributor of such fertilisers for the whole Province.\* The execution of this scheme by the Provincial Bank, though it meant large diversion from its original objects, is stated to have considerably helped the Bank in its rehabilitation work.

### *Orissa.*

All the thirteen banks in North Orissa were under rehabilitation. Their total assets amounted to Rs. 33.53 lakhs while their total outside liabilities amounted to Rs. 24.05 lakhs. The bad

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\* The number of depots rose to 82 by the end of 1945-46. The Bank distributed during the year, 10,800 tons of chemical fertilisers, 1,42,000 maunds of oilcakes and 3,400 maunds of seeds worth Rs. 37 lakhs and earned a gross profit of Rs. 2.45 lakhs, of which a sum of Rs. 0.77 lakhs was passed on to the central banks as their commission.

debts were estimated at Rs 5 34 lakhs. Nine out of the thirteen central banks were deemed to be solvent while the tenth central bank which was on the border line was expected to become solvent. Proposals for improving the position of the remaining banks have been submitted to the Provincial Government in 1946.

### *Sind*

Mr V. L. Mehta's Report of 1938 on the Co-operative movement in the Province formed the basis of the programme for rehabilitation. A Committee nominated by the Government in 1938 took over the management of the Provincial Co-operative Bank which was also given financial accommodation by the Government to tide over the period of temporary difficulties. Confidence in the Bank was restored and deposits which had decreased to Rs 60 lakhs in 1938 increased to Rs 124 90 lakhs at the end of 1944. 45 Inquiry officers were appointed by Government to examine the financial position of societies and to fix instalments and determine bad and doubtful debts. The Bank further introduced the system of financing agriculturists against their standing crops and also made available medium term loans for the improvement of land in addition to short term loans for current agricultural operations. With a view to improving their working revised bye laws were adopted in most of the societies. Further to secure better control and supervision of the societies a Provincial Board of Supervision was formed with the Registrar of Co-operative Societies as Chairman.

### *Bengal*

In Bengal most of the central banks were unable to repay the dues of their depositors as well as the dues of the Provincial Co-operative Bank for several years past and these banks lost the confidence of the investing public. With their assets frozen credit impaired and finances generally involved they were unable to obtain accommodation from the Provincial Bank. When it was found that agricultural operations were likely to be seriously affected by the lack of credit facilities the Government of Bengal placed funds at the disposal of the Provincial Bank in 1939-40 for making advances to crop loan societies through central banks by way of short term seasonal agricultural finance. This measure was only a temporary palliative intended to serve as an interim arrangement until effective measures could be adopted for a thorough overhaul.

Proposals for the rehabilitation of the Movement as well as for providing further credit facilities to the agriculturists were submitted to the Government by the Registrar of Co-operative Societies in 1940. A Co-operative Societies Act was also passed under which wide powers of control and supervision were given to the Registrar in order to facilitate the work of rehabilitation as well

as to promote the growth of the Movement on healthy lines. However, for various reasons, no concrete steps were taken to implement the scheme. In the meanwhile, the Movement became completely stagnant. Realising the gravity of the situation, the Government appointed in 1945, a Banking Expert to the Co-operative Department, who was also to work as the Managing Director of the Provincial Co-operative Bank. He has since submitted to the Government, a scheme of rehabilitation of the Co-operative movement including the reorganization of the Provincial Bank. Though the working of the Provincial Bank has shown some signs of improvement since then, the position of the Co-operative movement in general and of the central banks in particular continues to remain highly unsatisfactory. The partition of the Province would have rendered the task of rehabilitation more difficult.

### *Other Provinces.*

Due to the caution exercised in the pre-depression period, the Co-operative movement in some provinces, particularly Bombay, Madras and the Punjab, was relatively in a healthier condition. However, the fall in prices after 1929 and the reduced repaying capacity of the agriculturists affected the Movement adversely and schemes for rehabilitating the Movement were drawn up in these provinces also. In Bombay, an examination into the individual loans in primary societies was undertaken. It was revealed that at the close of 1942-43, out of loans amounting to Rs. 190.28 lakhs in 3,796 societies, Rs. 45.06 lakhs were to be considered frozen, Rs. 9.85 lakhs were to be considered bad or doubtful and Rs. 4.49 lakhs as clearly bad. The policy of granting concessions to borrowers whose debts exceeded their paying capacity was pursued. As a result of these steps, there was an all-round improvement in recoveries which was particularly noticeable in the canal areas where the Movement was in a very bad condition. The frozen dues, doubtful debts and bad debts, were reduced from Rs. 45.06 lakhs, Rs. 9.85 lakhs and Rs. 4.49 lakhs, at the end of 1942-43 to Rs. 30.55 lakhs, Rs. 4.94 lakhs and Rs. 2.91 lakhs respectively at the end of 1945-46. Vigorous steps were also being taken to reorganize the Movement by measures such as scaling down of the dues of the agriculturists under the Bombay Agricultural Debtors' Relief Act, organization of multi-purpose societies, strengthening the structure of marketing organizations and so on. In Madras, an examination into individual loans was carried out in 1942-43 ; 8,939 societies were examined and the results showed that out of the total outstandings of Rs. 156.21 lakhs, debts to the extent of Rs. 122.56 lakhs were adequately secured. The amount ill-secured came to Rs. 33.65 lakhs. Of this, Rs. 7.72 lakhs were likely to affect central banks. The total bad and doubtful debts of central banks inclusive of dues from

liquidated societies were estimated at Rs 37.25 lakhs. Their Bad Debt Reserve, however, amounted to Rs 19.06 lakhs while the Reserve Fund stood at Rs 36.69 lakhs\*. In all cases the owned funds were thus in excess of bad and doubtful debts. Special schemes of rectification were introduced in several districts and the results of their working were reported to be satisfactory. Further, the controlled credit system of linking credit with marketing was introduced in all the districts except Anantapur, South Arcot and Nellore in 1941. On account of all these measures there was a marked improvement in the condition of societies in general. Arrears which formed 55 per cent of the demand in 1937-38 in the case of agricultural societies declined to 21 per cent in 1945-46. Further, steps were being taken to accelerate the progress of the Movement in other ways also by organizing new societies such as producers-consumers stores, milk societies, marketing societies, land colonization societies, labour societies, weavers' societies and so on. This not only helped the progress of the Movement as a whole, but also aided the central banks and the provincial bank in utilising their increasing resources within the Movement itself.

In the Punjab, various steps for rectification were being taken, including the grant of concessions for stimulating recoveries, reduction in the rates of interest on loans, effecting recoveries in kind and the appointment of a special recovery staff. In Delhi, an examination into the loans of societies was completed. In several cases bad debts were written off while in others facilities for paying in easy instalments together with concessions in rates of interest were given.

The progress of rehabilitation was thus not uniform in all provinces. That it was facilitated by the rise in the prices of agricultural produce as well as of land values requires no reiteration and provinces such as the Central Provinces and Berar, Bihar, Orissa and Sind where schemes for rehabilitation were drawn up before the outbreak of war and steps taken to implement them, were benefited to a large extent. The Movement in Bombay and Madras also benefited on account of improved recoveries. Various steps taken in these provinces to develop the non-credit side of the Movement tended to strengthen its structure and to make it healthier. In certain provinces like Bengal and Assam, where the Movement was already in a difficult condition before the outbreak of the war, and no specific schemes for rehabilitation were put into execution, the position was not satisfactory.

However, rehabilitation does not consist in mere amputation work. Along with recovery of dues from the defaulters and the payments to the creditors and a thorough overhaul of the diseased institutions, strength has to be imparted to the Movement by a

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\* These figures relate to the year 1942-43

vigorous all-sided development such as marketing, distribution and supply, expansion of cottage industries and so on. The real foundation for the future of the Movement can be laid only on such lines ; and the provincial and central banks would then find ample avenues for the investment of their growing funds within the Movement itself without having to seek them, as they are doing in some provinces now, in fields rather questionable from the co-operator's point of view. It is encouraging to find that steps in this direction are being taken in some provinces, particularly in Madras and Bombay. Other provinces might usefully follow their example.

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## CHAPTER V

### THE STATE AND THE CO OPERATIVE MOVEMENT

Co operation is essentially a Movement of the people for the people and by the people. Unlike other forms of human activity the Co operative movement does not believe in an alien authority or power. Its inherent strength has to be found in the material and moral contribution of each member to its success. However in India which has a preponderance of illiterate agricultural population scattered over lakhs of villages the hope of any initiative coming from the people for such a high principled movement is naturally limited. Even the possibility of realising the ideals of better living had to be impressed upon the villagers before they could visualise the mutual benefits that would accrue to them by their joint or co-operative endeavour. Therefore the Government had to start the Movement in this country and lend its helping hand to its progress. As is well known to students of Co operation the Government played no mean part in its organization and development and in a number of cases even in the day-to-day administration of co-operative institutions. And even after four decades of its existence there is no material change in regard to its ability to stand on its own legs. It still continues to depend on Government aid. The villager has almost come to look upon it as a benevolent agency of the State to help him. And though he has realised that Co-operation is meant for his betterment he has still to learn that it has to be organized and developed by him. Till such time as the villager is fit enough to bear the responsibility for spreading and working it all by himself it has fallen on the shoulders of the State to continue to foster and develop an organization intended to be worked on as democratic a basis as possible. This however is not to deny the valuable and disinterested services rendered by several non official co-operators in some of the provinces in India who have greatly contributed to the intrinsic strength of the Movement and pointed the way for a gradual democratisation of an essentially popular organization. However the laudable efforts of certain co-operators alone cannot lead to complete de officialization so long as the vast majority of our rural population remain illiterate and unable to shoulder the responsibility of running the Movement by themselves. In this chapter it is proposed to give the reader an idea of the relationship which has so far existed between the Government and the Movement in India.

In general terms it may be said that State-aid has taken the shape of moral, financial and legislative aid as detailed below.

(1) The passing of special legislation for the organization and working of co-operative institutions.

(2) Protection to co-operative societies from the restrictive provisions of the various debt relief acts and money-lenders' acts.

(3) The appointment of expert committees from time to time as and when governments felt that something was wrong with the Movement and expert opinion was called for.

(4) The financial commitments by governments in the maintenance of special co-operative departments with a large staff.

(5) The financial aid given in the shape of loans, grants-in-aid and subsidies.

(6) The supply of service personnel entirely or partly free of charge to various institutions, which could not otherwise afford to employ them.

(7) The moral support in recognizing the Movement as a suitable agency for various activities, particularly during war-time, *viz.*, supply, procurement and distribution of rationed, controlled and other necessary commodities, help to cottage industries, etc.

(8) Special concessions and privileges such as exemption from income-tax, stamp duty, and registration fees, execution of awards through Government agencies, exemption from attachment of shares of co-operative societies, free remittance transfer facilities, etc.

The details of the aid given by the Government in the ways enumerated above have been referred to in the various chapters of the Review, but an attempt is made here to consolidate such scattered information and to give as comprehensive and complete a picture of it as possible.

The State support to the Movement from its inception can be divided into two phases: one, from its start in 1904 to 1919, when it was looked after by the Central Government and the other, after 1919, when Co-operation became a transferred subject under the control of the provincial governments. It is a matter of common knowledge that the passing of the first Co-operative Societies Act in 1904 was due to governmental initiative, based on the recommendations of Sir Frederick Nicholson, who was specially deputed by the Madras Government in 1892 to study the subject. His suggestions were backed by the Famine Commission of 1901 also. The Act of 1904 was only an experiment and so, the



Government were so cautious as to allow the organization only of credit societies in the first instance. But the Movement outgrew the expectations of its promoters and the Act of 1904 was found inadequate to cover the various non-credit activities such as distribution and marketing which were brought by the credit movement in its wake as also the unions and central banks which were organized to finance and control the primaries. These were provided for in the Co-operative Societies Act of 1912. The immediate effect of the Act was to infuse fresh energy into the Movement. The number of societies, their membership and working capital increased phenomenally and new types of societies for the sale of produce, milk supply etc. came into existence. The central institutions were also growing rapidly and the confidence of the public was won in a greater measure every year. In the first phase of the Movement this was the final legislation passed on the subject by the Central Government and is still in force in provinces and states which have not passed special acts subsequently. Apart from these legislative measures the Government of India were keenly watching its development. The appointment of the MacLagan Committee in 1914 primarily to examine whether the Movement especially in its higher stages and in its financial aspect is progressing on sound lines and to suggest any measures of improvement which seem to be required is a proof of its interest in the Movement. The Committee made far reaching recommendations such as the starting of a provincial bank in each major province, suggesting methods of improving the working of the central banks and primary societies and conveying their views on the responsibilities of the Registrars etc. One who is in touch with the Movement can see that almost all the recommendations have been implemented.

The financial commitments of the Central Government till 1919 when the Movement was under its care were chiefly in the form of meeting the expenses towards the maintenance of the Registrar and his staff and periodical loans, grants in aid and subsidies to co-operative institutions. In 1914-15 the expenses of the Government towards the salaries of the Registrar and his staff were estimated by the MacLagan Committee at Rs. 2.19 lakhs out of a total cost of Rs. 7.60 lakhs incurred by it for the Movement. The loans by the State consisted of (a) initial advances to rural societies up to a sum equal to that raised by them independently but subject to a maximum of Rs. 2,000 per society bearing no interest for the first 3 years and at 4 per cent thereafter, (b) guarantee of interest on debentures issued by co-operative banks to enable them to raise long term loans at cheap rates and (c) small sums to make up the dearth of funds which was expected to result from a shrinkage of fresh deposits and indirectly from a delay in repayment of loans by members due to the war of 1914-18.

The following statement shows the loans from Government to the Movement from 1906 to 1919 :—

Year	Amount in lakhs of Rs.	Percentage of the working capital
Average for 4 years from 1906-07 to 1909-10 .. .. .	5.86	8.6
Average for 5 years from 1910-11 to 1914-15	10.87	2.0
1915-16 .. .. .	15.99	1.5
1916-17 .. .. .	17.25	1.4
1917-18 .. .. .	23.27	1.6
1918-19 .. .. .	34.03	1.9

Besides the above, the Movement was assisted by way of personnel, audit, supervision, inspection, etc. Full details regarding the financial and other commitments of the Government of India up to the date of the transfer of the co-operative portfolio to the provinces in 1919 are not available, but the fact that even after severing their direct connection with the Movement, the Central Government appointed two committees recently, *viz.*, the Gadgil Committee and the Co-operative Planning Committee to study the present position of the Movement and formulate plans for post-war development is sufficient testimony to the interest evinced by them in the matter of Co-operation.

A review of the role taken up by the Central Government in regard to the Movement would be incomplete without a reference to certain privileges conferred upon co-operative societies. They are partly judicial and partly fiscal. Under the former category may be included the prior claim to enforce recovery of certain dues, the exemption of shares or interest of members from attachment, and the admission of certified copies as evidence. Under the latter fall certain exemptions from fees payable in connection with the Registration and Stamp Acts and from income-tax, granted by the Government of India. Further concessions of a departmental character were also enjoyed by co-operative societies such as the use of remittance transfer receipts at par for remittances between societies and special facilities for the withdrawal of funds from the Post Office Savings Bank. In addition, the permission granted to the Registrar in Bombay by the local Government to refund at the end of the year 75 per cent of the amount actually disbursed by the societies as money-order commission in view of the high commission payable for the transmission

of large sums by money-order may also be noted here. With the transfer of the co-operative portfolio to the provinces certain further facilities were granted, namely, free encumbrance certificates to the land mortgage banks within certain limits, execution of awards through Government agencies instead of through civil courts to avoid delay, and powers for attachment of property before awards by order of the Registrar as provided by Section 50 of the Madras Co-operative Societies Act and Section 55 of the Bombay Act. The position as at present in regard to Stamp Duty and Registration Fees is not clear, as can be seen from the Co-operative Planning Committee Report which says that "owing to the constitutional changes introduced in India in 1935 and certain notifications of the Government of India, the validity of certain exemptions hitherto enjoyed by co-operative societies in respect of Stamp Duty and Registration Fees, has become highly doubtful." From 1940 onwards the free remittance facilities enjoyed by the co-operative societies have been replaced by a new scheme introduced by the Reserve Bank of India which, while giving some preferential rights to co-operative societies have the effect of withdrawing the free remittance facilities. Some provincial governments, however, viz the Central Provinces and Berar and Bengal, have restored the original concessions by themselves meeting the remittance charges payable under the new scheme.

The second phase of relationship between the Movement and the State started with the Reforms Act of 1919 which transferred Co-operation to the care of various provincial governments who have been taking an increasingly active part in its development. It may be safely said that the organization of the Movement to cater for the various economic and social needs of the people made substantial progress only after the transfer of control to the provinces. Numerous co-operative organizations for supply and distribution, for better living, better farming and better health and for providing long term and intermediate term credit, sprang up in the provinces and states though not on uniform lines. The part played by the Government in each province in aiding the Movement in the multifarious developments referred to above in accordance with the peculiar needs of each area, has been briefly dealt with on a province-wise basis, but here a passing mention may be made of the general help given by the provincial governments on more or less uniform lines throughout India.

With the transfer of Co-operation to the charge of the provincial governments, some provinces enacted special legislation for regulating the working of societies in their areas. Bombay gave the lead by passing the Co-operative Societies Act in 1925. This was followed by Madras in 1932, Bihar and Orissa in 1935, Coorg in 1937 and Bengal in 1941. The other provinces have been following the Central

Act of 1912, which is, however, being amended whenever special conditions required any modifications thereof. These several acts were compared in our previous Review and as no new ones have been passed in any province since then, it would not be necessary to refer to them again here. It would also be seen from our previous publication that even in most other measures passed by the provincial legislatures for the reduction of rural indebtedness, co-operative debts have been given a privileged position.

The depression in the early thirties of this century and the collapse of the Movement in some provinces as a result of it, led to the appointment of special experts and committees of enquiry to examine its position as a preliminary step towards rehabilitation. In the foot-note a list of such Reports published is given\*.

The efforts of the various governments to implement these schemes and the amount of success achieved by them have already been reviewed in the chapter on "Rehabilitation and Reorganization". One common feature in the implementation of these schemes was that besides lending large sums to provincial banks, the governments undertook to meet the losses incurred by them. This aspect has been dealt with separately. Besides the appointment of such committees of enquiry, some governments were showing a keen interest in the Movement by causing an examination of its condition to be made periodically. A notable example of this was the appointment of the Townsend Committee in 1927 in Madras. Again, for considering the proposals made by the Gadgil Committee, the Government of Bombay took the initiative and

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- \*1. Travancore : Report of the Co-operative Enquiry Committee, Travancore, 1935 (Chairman, Mr. G. K. Devadhar).
  2. Mysore : Report of the Committee on Co-operation in Mysore, 1935 (Chairman, Dewan Bahadur K. S. Chandrasekhara Iyer).
  3. Gwalior : Report on Co-operative Societies and Banks in Gwalior, 1937 (By Prof. V. G. Kale).
  4. Hyderabad : Report on Agricultural Indebtedness in H.E.H. the Nizam's Dominions, 1937, by Mr. S. M. Bharucha.
  5. Bombay : Report on the Reorganization of Co-operative movement in Bombay, 1937, by Messrs. V. L. Mehta and M. D. Bhansali.
  6. Orissa : Report on the enquiry into conditions of the Co-operative movement in Orissa, 1938, by Dewan Bahadur K. Deivasikhamani Mudaliar.
  7. Sind : Report of an enquiry into the organization and working of the Sind Provincial Co-operative Bank, Karachi, 1938, by Mr. V. L. Mehta.
  8. Berar : Report of the Berar Co-operative Enquiry Committee, 1939 (Chairman, Mr. P. K. Gole).
  9. Bihar : Report of the Board of Experts for Co-operative Rehabilitation, 1939 (Chairman, Hon'ble Mr. V. Ramadas Pantulu).
  10. Punjab : Report on the Co-operative movement in the Punjab, 1939, by Mr. F. W. Wace.
  11. Madras : Report of the Committee on Co-operation in Madras, 1940 (Chairman, Sir T. Vijayaraghavacharya).

appointed the Agricultural Credit Organization Committee in 1947 to go into the question

A general assessment of the financial help extended by the provincial governments to the Co-operative movement may be made here. Such aid consists of small amounts of State loans periodic subsidies or grants in aid and guarantee of debentures issued from time to time. A table is appended on page 105 to show the amounts of such loans outstanding since 1919. Unfortunately we are not in possession of exact data regarding grants in aid and subsidies also. Confining our comments to the position during the period of war it may be observed that there is an increase in Government advances during the period 1939-43 it is perhaps due to the financial responsibilities undertaken by governments on account of the various rehabilitation schemes in provinces like Sind, Bengal, Bihar and Orissa. The fall in 1944-45 to below one per cent of the working capital may be attributed to the beneficial effects of the war on the Movement. But apart from these considerations the percentages show that the Government have refrained from direct financial commitments on any large scale and have rightly allowed the Movement to base itself on capital raised by it independently.

Some provincial governments have taken upon themselves a large liability in guaranteeing both the interest and the principal of the debentures issued by the co-operative land mortgage banks and to a small extent provincial banks too for the provision of long term credit. Madras is leading in this direction the Provincial Government having so far guaranteed the debentures of the Madras Central Co-operative Land Mortgage Bank to the tune of Rs. 400 lakhs. No other province can be brought in comparison here the guarantees of the debentures issued in other provinces being Rs. 35 lakhs to the Bombay Provincial Co-operative Land Mortgage Bank and Rs. 20 lakhs to the Bombay Provincial Bank (guaranteed as to interest alone by the Secretary of State for India in Council). Rs. 50 lakhs in the Central Provinces and Berar and Rs. 4 lakhs in Orissa.

Over and above these financial commitments the governments spend huge sums in the maintenance of special co-operative departments with a large staff by making a provision for them in the various provincial budgets under the head Co-operation. The table appended on page 106 gives the sums apportioned in the budgets of the various provinces for Co-operation in 1938-39 and 1945-46 and the percentages of these to the totals of the revenue expenditure shown in the budgets. Though the amounts expended on the co-operative departments and their staff are not given separately from the expenditure incurred by way of grants-in-aid and other subsidies it can safely be said that a major portion of the

above is towards the maintenance of the department. It may not be out of place to refer here to the supply of personnel either entirely or partly free of charge to various co-operative institutions which could not otherwise afford to employ them, as well as the help rendered by the governments for imparting education and training in Co-operation. In the chapter on Co-operative Education and Training, an account of the part played by the various provincial governments has been given at some length and it would be needless to repeat it here. However, two salient points may be mentioned in this connection : firstly, while in some provinces periodical grants and subsidies were given to institutes besides meeting the cost of their staff, in others, the departments themselves maintained a separate staff for imparting training and secondly, the training was not confined to the staff of the co-operative departments alone, but extended to those of the co-operative institutions also.

The picture of State-aid would be incomplete without an account of the moral support extended to the Movement. Such support could be seen at its best in the war period and if the war can be said to have benefited Co-operation in any way, it is by bringing out the immense potentialities of the moral side of State-aid and the increased strength gained as a result of such support. The governments of several provinces found in the Movement a truly democratic organization, which in its working would be above corrupt practices such as black-marketing, profiteering, etc., which were rampant in the case of individuals and private bodies. It was, therefore, entrusted with the work of procurement, supply and distribution of food-stuffs and other essential commodities rendered scarce by war. The most outstanding results are to be seen in Madras and Bombay. From the section on non-credit activities it will be observed that such aid has rendered the position of co-operative organizations distinctly stronger, though all the provinces have not followed a uniform policy in this regard. The encouragement given by the governments even in the matter of non-controlled goods like milk and fruits led to an increased growth of special societies in provinces like Madras as has been observed elsewhere. In all these matters, there was very little of ultimate financial liability to the governments, but the temporary aid given and, in the main, the preferences shown to the Movement, more than all the propaganda done by the various co-operative institutes, have elevated its position in the minds of the people and have popularised its benefits to a large section of the population, who have come to realise more and more clearly, that the co-operative way would be the most satisfactory one for solving many of the problems which face them to-day.

The above account gives a bird's-eye view of the nature of help rendered by the governments, both central and provincial,

which has led to the present position of Co-operation as one worthy of being entrusted with a responsible role in the post war planning schemes that are being considered to-day. Full details regarding the exact part played by each provincial government are still being collected by the Bank but whatever materials are available already are given in the following pages on a province wise basis

### *Madras*

The Co-operative movement in Madras has perhaps received the greatest amount of support from the Provincial Government. One of the outstanding developments in the sphere of governmental action was the inauguration of the land mortgage banks for the provision of long term credit as other credit institutions were found unsuitable for that purpose. The total amount of debentures guaranteed has already been given elsewhere but here it may be mentioned that the Government has been giving all out assistance to the institutions particularly in the initial stages by way of subsidies to meet deficits as well as exemptions in part or wholly from payment of Stamp Duty Registration Fees etc. The popularity of the debentures today is due in no small measure to the association of the Government's name with them.

Under the consumer movement the Government entrusted the societies with procurement and distribution of food grains. A loan of Rs 2 crores carrying interest at  $2\frac{3}{4}\%$  and repayable before 30-9 1947 was sanctioned to the Madras Provincial Co operative Bank to enable it to grant loans to district central banks for the purpose of financing procurement operations. In the case of other articles like wheat pulses sugar etc also preference was given to co-operative societies. A subsidy of Rs 21 484 was given to the Madras Provincial Co operative Marketing Society for the losses incurred by it in the disposal of pulses imported on Government account. Concessions like the accepting of a lower security deposit from a society undertaking rationing of articles than from private individuals or associations also helped the growth of these societies. Further with a view to improving the milk supply in the Madras City and towns in the Province the Government agreed to grant interest free loans repayable within a year to the members of milk supply societies and unions for the purchase of milch cattle. Loans bearing interest of  $3\frac{1}{2}\%$  and repayable within a period of five years were also granted to the milk unions to purchase lorries for transporting milk from production centres for its distribution in the towns. The Government sanctioned Rs 3 56 lakhs for the former and Rs 30 000 for the latter purpose. Besides this a special staff of co operative and veterinary officers at a total annual cost estimated at Rs 70 000 for the improvement of milk supply in Madras City and dairy development and a subsidy for the maintenance and purchase of medicines for three veterinary first-aid posts in the City were sanctioned.

In developing marketing and cottage industries societies, the Government evinced a great interest. They gave free grants out of the Central Government subvention for rural uplift up to 25% of the estimated cost of the construction of godowns and were prepared to grant loans repayable within 30 years for the rest of the amount. This was extended to credit societies too, which intended to construct such godowns. Up to the end of 1941-42, 27 sale and 40 credit societies had obtained free grants to the extent of Rs. 1.24 lakhs and the sale societies were given loans to the tune of Rs. 2.38 lakhs. In the matter of cottage industries, the very starting of the Madras Handloom Weavers' Provincial Co-operative Society in 1935 under the Government of India subvention scheme gave a fillip to their work. In 1945-46, the Madras Government sanctioned a loan of Rs. 1 lakh for the Yemmiganur Weavers' Co-operative Society for acquiring a site and building houses on it for the members of the Society. Similarly, a scheme for the collection and marketing of eggs through co-operative egg marketing societies was sanctioned. The Government have in this case agreed to give a recurring subsidy to the extent of Rs. 1,040 for each of the 33 egg production and sale societies besides the free services of 4 co-operative inspectors for their supervision.

#### *Bombay.*

In Bombay, monetary help rendered by the Government consists mainly of loans, grants-in-aid, services of personnel and guarantees. Loans to multi-purpose and sale societies were granted at a rate of interest of 4% to enable them to build godowns for storing agricultural produce. The total loan was not to exceed two-thirds of the cost of construction and the pattern of it was to be approved by the Registrar. Loans to power-pump societies are also advanced up to 75% of the initial capital required and are repayable within 10 years or the life of the pump. No interest is charged on these loans for the first three years and interest at 6% per annum is charged thereafter. In the past the Government granted loans to housing societies. Under these, loans up to Rs. 12,000 in Bombay City and Rs. 6,000 in mofussil centres were granted for each individual member of a society. They were repayable in annual equated instalments of principal and interest. During the war, however, very little activity was witnessed in this direction on account of a dearth of building materials, but it has become a live issue now under the consideration of the Provincial Government.

Grants are given to multi-purpose societies and to newly started branches of sale societies to enable them to meet their cost of management and propaganda. In the case of the former, these grants do not exceed Rs. 150 a year or half the cost of the management and propaganda whichever is less, and for the latter,



they are not to exceed half the expenses on propaganda and management or 1% of the total sales, whichever is less, subject to a maximum of Rs 300. Newly started primary land mortgage banks are also granted subsidies at the rate of Rs 500 every year for the first three years. State aid was extended to the industrial co-operatives also, a grant in aid of Rs 42,480 was sanctioned to the Provincial Industrial Co-operative Association which was registered in 1946 and an amount of Rs 26,280 was actually disbursed as being the expenses likely to be incurred during the year 1946. Many of the producers' societies in the North Kanara District have similarly obtained help from the Government to meet the cost of management in their initial stages.

A substantial help is also rendered in the form of services of personnel. For example the Secretary of the Bombay Provincial Co-operative Marketing Society has been provided by the Government which bears the cost of his salary. The Society, however, makes a monthly contribution of Rs 100 towards the same. Further nine purchase and sale unions, one cotton sale society and five industrial co-operative societies are being provided with staff at Government expense in full or in part.

Besides the guarantee of debentures of the Provincial Land Mortgage Bank referred to above the Government have agreed to guarantee losses due to bad debts to the extent of 5% of total advances made by societies which have undertaken to provide crop finance to persons who are parties to any proceedings or awards under the Bombay Agricultural Debtors Relief Act. In addition they have agreed to provide these societies with funds at a concessional rate of interest, namely,  $3\frac{1}{2}\%$  to make up for any shortage of crop finance. They would even make arrangements for recovery of these loans if necessary. As a further relief to co-operative societies and their financing agencies undertaking crop finance, Government has agreed to bear the entire cost of supervision.

### *Bihar.*

The part played by the Provincial Government in extricating the movement from the slough of the depression by means of the schemes of rehabilitation and Credit Agricole have been dealt with elsewhere. While under the former scheme introduced in 1941, the Government came forward to meet a non-refundable expenditure of Rs 43 lakhs to assist the central and provincial banks, they agreed to bear any loss to the Provincial Bank till 1951 under the Credit Agricole scheme inaugurated in 1945 on condition that the Provincial Bank remained under their control. Apart from these the Government granted loans aggregating Rs 30 lakhs to the Bihar Provincial Co-operative Bank during the period from 1935 to 1939 for enabling it to strengthen its financial resources.

The Bank has been able to repay only a portion of it and a sum of Rs. 23.8 lakhs is still outstanding. The loss incurred by the Provincial Bank under the rehabilitation scheme is proposed to be set off against this sum in due course. The Bihar Co-operative Federation is also being given an annual grant of Rs. 2,400 since 1936-37 to meet the cost of the staff appointed to assist backward classes in certain areas of the Province. A further annual sum of Rs. 5,000 is granted to it since 1945 up to 1949 for co-operative propaganda and development work. These are apart from the occasional grants made for the uplift of Harijans through organizations like the Harijan Sevak Sangh. In short, the movement which reached a state of chaos in Bihar is being revitalised mainly under the aegis of the Government.

### *The United Provinces.*

Almost every type of co-operative activity in the United Provinces has been at the instance of the Provincial Government who have been coming forward with financial assistance, supply of technical personnel and moral assistance in several ways. In fact, in the United Provinces, many central banks have Government officials on their board of directors in an ex-officio capacity and the president of the apex institution, the U.P. Provincial Co-operative Bank itself, is the Registrar of Co-operative Societies. The organization of cane development unions and their working, ghee marketing societies and the Provincial Bank, owe much to State initiative and endeavour. The U. P. Provincial Co-operative Union has been receiving sizable grants from the Government, the amounts during 1941-42 to 1944-45 being Rs. 2.28 lakhs, Rs. 1.96 lakhs, Rs. 1.85 lakhs and Rs. 1.55 lakhs respectively. A special grant of Rs. 10,000 per year is being given for the betterment of Harijans alone.

These apart, the United Provinces is one of the few provinces where a large number of co-operative organizations have undertaken to organize production of articles. The Government encouraged them during the war period by placing large war orders for various articles like tent-components, bandages, gauze, etc. In 1942-43, the Government grant placed at the disposal of the Registrar for execution of war-orders was raised from Rs. 5 lakhs to Rs. 24 lakhs. Further, the Provincial Development and Marketing Federation, which was established in 1942-43 was given the work of distribution of controlled commodities in addition to a monopoly of oilcake distribution for practically the whole Province.

Over and above this, a good amount of money is being spent on propaganda. The Department has been setting up co-operative stalls and shows in exhibitions from time to time. Its activities

during the War Services Exhibition held at Lucknow in 1943-44 is a most notable example. Radio talks and dialogues on Co-operation and allied subjects are also frequently broadcast from the Lucknow Radio Station. Pamphlets in both English and Hindustani are published to further the cause of the movement. Moreover in the United Provinces the Department has a library which has been greatly expanded in recent years. In 1944-45 new books valued at Rs 10 000 were added to it. Students from various universities of the Province attend the library to carry out research on Co-operation and allied subjects. There is also a scheme under consideration to attach a research and planning section to it.

### *Sind, Bengal and Orissa*

The Government of Sind is responsible for the rehabilitation of the movement which was on the point of collapse in the thirties with the waning of public confidence in the apex institution. By way of immediate relief it extended timely financial assistance to the Provincial Co-operative Bank in 1937. To save the Movement from imminent disaster it instituted an inquiry into its condition under Mr V L Mehta as referred to in the preceding pages and as a result of his recommendations the management of the Provincial Bank was taken over by the Government who appointed a committee of nine members to run it. In addition the Government promised financial help whenever required. In Sind particularly in towns like Karachi and Hyderabad co-operative housing societies play an important part and the Government have in that connection a loan of Rs 1 30 lakhs due from these societies in 1944-45.

In Bengal on account of the unsatisfactory state of the Movement a Banking Expert was appointed in 1945 to suggest schemes for the rehabilitation of the agricultural credit movement and the re organization of the Bengal Provincial Co-operative Bank. The problem has been made difficult owing to the partition of the Province. In the absence of published details we are not in a position to give an idea of the financial commitments the State may have to take up. As part of the normal functions undertaken by the Government it may however be mentioned that they grant loans to the Provincial Bank if needed for seasonal agricultural operations. Usually the Bank makes an assessment of its annual requirements for distribution among agriculturist members of rural credit societies and loans are granted to the Bank at a rate of  $3\frac{1}{2}\%$  per annum and repayable within a year for which provision is made in the provincial budget. Separate grants are also given to the handloom industry. The Co-operative Directorate had submitted a scheme regarding an Industrial Union through the Government of Bengal to the Government of India who allotted Rs 9 42 lakhs (from 1935-36 to 1946-47) for the development of the handloom industry. Special loans were also given to jute societies. The Government of Bengal accepted the scheme sponsored by the

Indian Central Jute Committee for the establishment of jute sale and jute weaving societies and sanctioned short-term loans for financing the scheme on condition that the loans will be the first charge on the assets of the societies and would be repayable within a year. A sum of Rs. 2 lakhs was also being granted annually for the past ten years to the Provincial Bank to enable it to write off the losses it sustained in its dealings with the jute sale societies. Further, the cost of management of some of the land mortgage banks is also met by the Government.

Orissa came into existence as a separate Province in 1936. The co-operative central banks in the northern part of the Province, originally financed by the Bihar Provincial Co-operative Bank, are now receiving loans from the Government and the banks in South Orissa are under the Madras Provincial Co-operative Bank. The affairs of the central banks and the Co-operative movement in general, were subjected to an expert enquiry in 1937 under Dewan Bahadur K. Deivasikhamani Mudaliar. The Movement itself is under a kind of rehabilitation. The Provincial Government have recently appointed a special officer in connection with the same and as the probable liability to be borne by the Government ultimately is not yet known, it is not possible to give an idea of the extent of financial aid at this stage.

This aspect apart, it may be mentioned that the non-agricultural side of the movement too has had a good amount of support. For example, the Government put into operation a "grow more fish" scheme and many inland fishery societies were registered under this scheme during 1944-45. Loans were offered to these societies, the amount advanced in 1945-46 being Rs. 87,000 to be distributed to members for re-excavating and renovating their tanks. Mention may also be made of the encouragement given to the two salt production societies in the Province. One of them was given leases of some abandoned salt pans at favourable rates and a monopoly in the distribution of salt for a whole district. Again, with the introduction of control over mill-made cloth, cloth sale societies became prominent. One of these holds a monopoly for the import of mill cloth for the whole Province and is financed heavily by Government with loans which in 1945-46 amounted to Rs. 182 lakhs.

#### *Punjab, and the Central Provinces and Berar.*

The Government of the Punjab in addition to utilising the co-operative organizations for meeting the demands of war to an extent, has been spending a substantial amount annually for their development in the Province. This has shown a steep increase during the war years and the total expenditure of the Government on the movement during 1945-46 amounted to Rs. 41.26 lakhs as against Rs. 14.92 lakhs in 1938-39. A fund called "Special Development Fund" was created out of certain surpluses from

the budget for the development of the backward and other areas. A five year plan of development was drawn up for each tahsil in those areas. Special staff have been appointed for this purpose and their work consists of such activities as consolidation of holdings, organization of credit and non credit societies, etc. The Government grant in 1938-39 to this fund amounted to Rs. 2.25 lakhs and in 1943-44 it was Rs. 2.02 lakhs. The total expenditure from this fund amounted to Rs. 4.44 lakhs in 1945-46. The Punjab is perhaps the pioneer in the successful working of a scheme of consolidation of holdings. In 1935, the Government of India allocated to the provinces a subvention for rural uplift. In the Punjab a sum of Rs. 2 lakhs was allotted out of it for executing the scheme of consolidation of holdings drawn up by the Co-operative Department. Further, the grant-in aid to the Punjab Co-operative Union too, has increased from Rs. 1.13 lakhs in 1938-39 and Rs. 2.68 lakhs in 1943-44 to Rs. 3.32 lakhs in each of the years 1944-45 and 1945-46.

A special mention may be made of the part played by the Movement in the procurement and distribution of food grains and controlled commodities. In 1942 the Government asked the Registrar of Co-operative Societies to set up an organization to buy and store 40,000 tons of wheat to form a provincial reserve to provide against scarcity either actual or due to any threat to supply, by an attack or other interruption of transport and also to facilitate the operations of price control. They allotted a sum of Rs. 161.40 lakhs for expenditure on the scheme. The entire co-operative organization had to be utilized to carry it out as the scope of its operations extended to the whole Province. Storage accommodation was also arranged at some sixty purchasing and consuming centres. The purchases were mostly made in the organized mandies through commission agents. In mandies where there were co-operative commission shops, they were appointed as agents under the scheme and out of approximately 40,000 tons of wheat purchased in the course of the year 1942-43, more than half was bought through them. Though originally the scheme was confined to wheat, it was later extended to purchases of gram, bajra, maize and rice. During 1942-43, out of a total quantity of 18.52 lakhs maunds of different grains purchased, the co-operative commission shops handled 7.56 lakhs maunds valued at Rs. 37.56 lakhs. Similarly, out of a total of 20.67 lakhs maunds purchased in 1943-44 the share of co-operatives was 6.97 lakhs maunds worth Rs. 69.92 lakhs. With effect from 1-4-1944, the scheme was transferred to the Supplies and Transport Department. Other co-operative institutions both central and primary, with surplus funds were encouraged to take up the work of dealing in controlled commodities, in particular, standard cloth, kerosene oil, wheat, sugar and salt. The work done by these institutions received the appreciation of both officials and non officials and proved effectively helpful in the Government sponsored campaign against black marketeers.

In the Central Provinces and Berar, the Government have been extending their help to the various growers' associations and the weavers' societies. For the organization of an apex institution for the primary dairy societies, the Government sanctioned a loan of Rs. 50,000 during 1944-45. Similarly, in 1942-43, a loan of Rs. 50,000 was given to the C.P. and Berar Weavers' Society for developing the handloom industry. Their contribution to the building of godowns for the benefit of growers' associations was also considerable. Again, under the post-war schemes, substantial loans and grants-in-aid were given to co-operative organizations. In 1946-47, a sum of Rs. 1.44 lakhs was lent to the growers' associations at a low rate of interest, namely,  $3\frac{1}{2}\%$  per annum. Grants and subsidies amounting to more than Rs. 30,000 were given to them in addition. The Provincial Weavers' Co-operative Society was also given a loan of Rs. 1.0 lakh and a grant of Rs. 12,500. In legislative matters too, one particular Act deserves mention. "The amendment of the C.P. Tenancy Act in 1940-41 making occupancy lands mortgageable and saleable for co-operative dues gave a fillip to the Co-operative movement in the Central Provinces where the majority of members were occupancy tenants. It made available to central banks and their affiliated societies security in the shape of occupancy lands where no security existed before, and as a result, large portions of the debts which were bad formerly, became good. This helped the process of implementing the results of rehabilitation inquiries in the Central Provinces. The law of pre-emption in Berar was also amended during this period. Under this law, co-operative societies and their members were exempted from the operation of the relevant provisions of the Berar Land Revenue Code. This facilitated the sale of lands belonging to banks and societies and also implementing of rehabilitation proposals." (Registrar's Report 1941-45).

#### *Other Provinces and States.*

In other provinces and states also the governments were extending their help both financial and otherwise. The major states, viz., Hyderabad, Mysore and Travancore, for example, came to the rescue of the Movement after the depression when it became almost moribund, by instituting enquiries into its condition as has been referred to elsewhere. Loans were then granted by these governments to aid rehabilitation. In Travancore, the Central Co-operative Bank was placed under the charge of the Registrar and in 1941-42 a sum of Rs. 3.5 lakhs was lent to it. Similarly, the Mysore Government granted a cash credit of Rs. 5 lakhs in 1939 to the Provincial Bank to tide over its difficulties and the Nizam's Government made a loan of Rs. 15 lakhs to the Dominion Bank, partly free of interest and partly at 3%, to assist the Movement.

Apart from the above, the states have been giving subsidies and occasional or annual loans for small amounts complete details of which are not known. However, a few examples here and there may be mentioned. The Hyderabad Government, for instance, agreed to grant loans to the sale societies for warehousing of agricultural produce. In 1945, they sanctioned a loan of Rs. 5 000 per society and 4 societies availed themselves of this offer. Similarly, in Mysore, the Government have been granting a subvention of Rs 7,500 annually to the Mysore Central Land Mortgage Bank to enable it to reduce the rate of interest on loans by 1%, while the Provincial Co-operative Marketing Society was sanctioned an outright grant of Rs 3 000 per year for two years to meet the initial expenses up to 30th June, 1946, in addition to the services of an inspector of co-operative societies to work as its secretary. In Coorg, the policy has been to discourage the grant of Government loans to co-operative societies and in fact, since 1939, fresh loans were not granted. The Government, however, made free grants aggregating Rs. 6 500 to three marketing societies for constructing office-cum-godowns. A sum of rupees one lakh has been provided for such grants. In Ajmer-Merwara and Assam, the aid has hardly come to a few thousands of rupees and in other states and provinces they are negligible.

It would thus be seen that the Co-operative movement in India owes much to the devoted efforts of the Government without whose initiative and help Co-operation would perhaps be still unknown in India. ' Government alone was in a position to supply the knowledge and organization necessary to start the work and Government alone is able, by its association with the Movement, to create the outside confidence necessary to give it stability ' From small beginnings the Movement has grown rapidly and now represents an influence vitally affecting a large section of the people. This development has taken place without excessive State aid on the one hand or absolute freedom from State intervention altogether on the other. The State's monetary assistance was certainly small, but its role on the moral side and in the provision of supervision, assistance, counsel, and control has been in no small measure responsible for the present position of the Movement. Suffice it to say, it has reached such a stage now that it could be counted as a factor in the economic, social and political development of rural India.

It is difficult, albeit necessary, to define the exact relationship that should prevail between the State and the Movement in the future planning of India's economy. The stage has not yet come when complete de-officialization would be possible, and perhaps it may take a long time before the Co-operative movement becomes the absolutely democratic organization free from alien control and influence it ought to be. On this rather controversial issue

one can do no more than quote the views of the Government of India, expressed over three decades ago, in their Resolution No. 12-287-1 dated the 17th June, 1914, which still hold good: "On the one hand, there are some who contend that the Movement, beneficent as it is, is essentially one for the people to work out on their own lines and that Government interference at any stage is uncalled for ..... But just as there are some critics who deprecate Government assistance, so too there are others, both non-official and official, who plead for a far greater degree of Government intervention than has hitherto been permitted..... The result is that Government has to steer a middle course, and this has been the policy adopted both as regards supervision and financial aid."

**Loans and deposits held from Government in the Provinces.**

(In lakhs of rupees.)

Year	Total working capital	Loans and deposits held at the end of the year from Government	Percentage of (3) to (2)
(1)	(2)	(3)	(4)
1919-20 .. .. .	1,968.86	24.54	1.25
1920-21 .. .. .	2,440.89	34.55	1.42
1921-22 .. .. .	2,898.32	39.54	1.36
1922-23 .. .. .	3,332.11	45.26	1.36
1923-24 .. .. .	3,814.57	60.38	1.58
1924-25 .. .. .	4,453.07	72.58	1.63
1925-26 .. .. .	5,300.67	85.96	1.62
1926-27 .. .. .	6,244.81	84.05	1.35
1927-28 .. .. .	7,045.04	94.61	1.34
1928-29 .. .. .	7,564.26	117.26	1.55
1929-30 .. .. .	8,192.77	120.95	1.48
1930-31 .. .. .	8,359.56	113.54	1.36
1931-32 .. .. .	8,389.08	110.56	1.32
1932-33 .. .. .	8,673.90	102.49	1.18
1933-34 .. .. .	8,644.26	102.24	1.18
1934-35 .. .. .	8,739.31	83.06	0.95
1935-36 .. .. .	9,045.46	88.90	0.98
1936-37 .. .. .	9,192.08	77.12	0.84
1937-38 .. .. .	9,140.09	79.81	0.87
1938-39 .. .. .	9,616.21	73.31	0.76
1939-40 .. .. .	9,688.44	118.75	1.23
1940-41 .. .. .	9,847.75	114.87	1.17
1941-42 .. .. .	10,134.86	125.64	1.24
1942-43 .. .. .	10,923.75	124.40	1.14
1943-44 .. .. .	11,634.96	106.39	0.91
1944-45 .. .. .	12,942.22	69.50	0.54
1945-46 .. .. .	14,433.42	74.02	0.51

(The figures for Burma are included up to the year 1936-37.)



Statement comparing the expenditure on "Co-operation" with the total revenue expenditure from the various provincial budgets.

(In lakhs of rupees)

Province	Expenditure under the head Co-operation in 1938-39 (1)	Total † revenue expenditure in 1938-39 (2)	Percent age of (1) to (2) (3)	Expenditure under the head Co-operation in 1945-46 (4)	Total † revenue expenditure in 1945-46 (5)	Percent age of (4) to (5) (6)
Madras	13 82	1610	0 86	30 93	4799	0 64
Bombay	6 14	1280	0 48	19 61	3413	0 57
Bengal United Provinces	13 38	1277	1 05	18 97	4060	0 49
Punjab	6 09	1280	0 48	18 27	2934	0 61
Bihar	14 90	1161	1 29	41 26	2120	1 95
C P & Berar	4 94	493	1 00	8 87	1213	0 73
Assam	2 73	471	0 58	3 84	1048	0 37
N W F Province	0 96	299	0 32	4 03	676	0 60
Orissa	1 21	178	0 68	1 89	284	0 67
Odisha	1 74	181	0 96	2 73	344	0 79
Sind	1 28	246	0 37	2 36	663	0 27

† These figures are taken from the Report on Currency and Finance for 1946-47

## CHAPTER VI

### CONCLUSION—POSSIBILITIES OF THE MOVEMENT

We have just seen in the foregoing chapters the march of the Co-operative movement in the eight years, 1938-39 to 1945-46. We have also noticed how it has been very largely influenced by the war and what great changes have been brought in it by the war, changes which should otherwise have taken many years to take place. In this concluding chapter it may be desirable to make a resume in broad outline of the changes, examine what elements of good to the Movement they contain and what elements with a contrary tendency, and indicate the course of development necessary to meet the immediate and future needs of the country.

Firstly, with regard to agricultural credit societies we have seen how their number has increased and their finances have been strengthened. It is also noted that while non-credit activities have come more to the front, it is still the agricultural credit side that predominates, absorbing 72.7 per cent of the total number of societies in India. This is as it ought to be. Seeing how agriculture is the main industry of the country, how it is in need of capital as well as any other industry and how the agriculturist being the least organized is the easiest victim for exploitation, this branch of the Movement should still continue to occupy a pre-eminent place. It has been seen that the borrowing needs of the agriculturist, far from having disappeared, have actually increased owing both to the higher cost of the necessities of agricultural production and to his having adopted superior and costlier methods of production. At the same time his repaying capacity has also vastly increased, thus improving his credit-worthiness. But this improvement so long as it depends only on the higher prices of agricultural commodities cannot be considered to be permanent. An increase in his income is to be secured by other means too, the most obvious being the establishment of societies for the improvement of production, marketing and for the promotion of subsidiary occupations and the elimination of the costly chain of middlemen. The war has given great impetus for such societies also. Under controlled prices, compulsory procurement and ready markets, however, the marketing societies had but limited scope for the performance of their true functions and had mostly to take up the role of supply societies distributing controlled articles. With the removal of controls, the marketing societies should

be very helpful in securing fair prices for agricultural produce and it is to be hoped that the large number of these societies that came into being during the war period will successfully achieve their objects and also that their number will increase further

As for the subsidiary industries for agriculturists that developed during this period the milk societies ghee societies and the fruit growers associations are the most prominent There appears to be good scope for societies for poultry farming bee keeping fruit canning leather hardware and bell metal silk horn and bone industries and numerous other small endeavours like paddy husking oil pressing soap making glassware and bangles toy making etc In some of these the competition from large scale industry would appear to be rather keen The most urgent problems facing such industries as a whole would appear to be adequate marketing arrangements economic supply of raw materials and improved technique of production

We have also seen how the central financing institutions the central banks and provincial banks have grown Their position weak in many provinces before appears to have been fully stabilized with frozen debts recovered bad debts reduced and with a considerable fluidity in their assets attained Their audit classification in certain areas points to a gain in efficiency also With a plethora of funds at their disposal they seem to be well capable of meeting by themselves the full needs of the Movement One black spot however that is detectable in some of them is the increasing tendency towards commercial banking Since the rise in co operative demand was not commensurate with the rise in their working capital they might have found some justification for looking to other investments but having found the other investments easier and more lucrative the tendency has appeared among a number of them to take to them in an increasing measure It is trusted that this tendency will be checked by the authorities concerned

The long term financing institutions we found were rendered more or less functionless during the period under review There may not be for the present, any great call on their funds for the redemption of prior debts but there is every sign of their gaining in importance as suppliers of long term finance for the improvement of land a purpose which remained so long neglected As promoters of small scale irrigation works mechanized cultivation and of societies for such purposes they could play an important role

We have seen that house building is another co-operative activity that has remained almost stagnant during the war Due to a shortage of building materials and labour for the purpose it was almost at a standstill House accommodation is one of the

keenest wants felt both during and after the war and the poor and the lower middle classes are the sharpest hit by the shortage. Provision of sufficient accommodation is, therefore, engaging the attention of the authorities and it behoves the Co-operative movement also to do its utmost in the direction. For the ordinary man who may not otherwise entertain any idea of owning a house, co-operative house-building societies can certainly give hopes. Perhaps a central financing agency in each province for house building societies exclusively may not be an impracticable suggestion. By a system of insurance of the lives of the members of the housing societies for the full value of the houses built for them, it would be possible to guard against losses either to the societies or to the families in case of premature death. This is a subject which may usefully engage the attention of co-operators and co-operative departments.

In India, from ancient times, handloom weaving has been the industry followed by the largest number next only to agriculture. Considerable sections of the population still depend on it for a living, though the industry fell on very bad days with the advent and growth of textile factories. Co-operative efforts in the past to revive this industry were quite feeble and not very successful either. The war saw a great improvement in this direction also, as the Review has disclosed. There are hopes that proceeding on the lines so successfully followed in Madras the present gains may be fully consolidated and further advances made. It is a pity that efforts in other provinces in this direction are not much in evidence. The other provinces may also do well to copy, specially Bengal where this industry seems to be the most important with the number of weavers' co-operative societies at a peak figure.

As regards the lines on which the Movement should develop in future, various provincial schemes have already been evolved. In this connexion, attention is invited in particular to the findings and recommendations of a very important committee, namely, the Co-operative Planning Committee which submitted its report in 1945. The Committee's recommendations have been discussed in detail in the Press and in the 15th Registrars' Conference. A recapitulation of the same would, therefore, be unnecessary here. They have covered each and every aspect of the Co-operative movement. Their views in regard to co-operative marketing, agricultural credit, small and subsidiary industries, consumers' co-operation and housing, health and better living are deserving of careful consideration. They have suggested also special schemes for the organization of ex-servicemen particularly in such societies as transport co-operatives and labour co-operatives. Even in matters which have been comparatively neglected so far, such as co-operative insurance, they are envisaging organized development of the

Provinces and States.	Number of Societies.				M. Rs
	Credit.		Others.		
	1938-39	1945-46	1938-39	1945-46	
	Thousands	Thousands	Thousands	Thousands	
ALL-INDIA .. .. .	93.77	124.17	11.51	22.81	3.
Madras .. .. .	10.78	10.88	0.61	1.06	0.
Bombay .. .. .	3.71	4.80	0.32	0.56	0.
Sind .. .. .	0.97	0.73	0.03	0.01	0.
Bengal .. .. .	26.00	36.00	1.46	3.75	0.
Bihar .. .. .	6.65	5.79	0.39	3.2	0.
Orissa .. .. .	2.50	2.68	0.01	0.0	0
United Provinces .. .. .	7.21	11.84	2.81	8.21	0
Punjab .. .. .	17.10	16.37	2.20	4.37	0
Central Provinces and Berar .. .. .	4.37	5.60	0.09	0.11	0
Assam † .. .. .	1.33	1.08	0.02	0.02	0
North-West Frontier Province .. .. .	0.72	0.86	0.01	0.13	0
Coorg .. .. .	0.24	0.27	..	..	0
Ajmer-Merwara .. .. .	0.51	0.55	0.03	0.05	0
Delhi .. .. .	0.21	0.18	0.01	0.06	0
Mysore .. .. .	1.33	1.66	0.07	0.14	0
Baroda .. .. .	0.81	0.91	0.18	0.21	0
Hyderabad .. .. .	..	10.61	2.91	0.01	0
Bhopal .. .. .	0.60	0.28	..	..	0
Gwalior .. .. .	3.91	3.72	..	..	0
Indore .. .. .	0.77	0.90	..	..	0
Kashmir .. .. .	2.61	2.65	0.20	0.25	0.

# AGRICULTURAL CREDIT SOCIETIES

1945-46

owings	Working Cap tal	Fresh advances	Recovery <sup>2</sup>
lakhs	Rs lakhs	Rs lakhs	Rs lakhs <sup>2</sup>
868 65	2,589 11	823 10	759 19
238 09	470 34	265 85	197 92
102 51	306 82	128 97	104 80
22 66	76 66	23 43	18 20
231 78	512 65	42 90	69 84
13 91	53 08	3 43	9 39
26 60	43 85	11 74	10 48
17 93	85 82	37 29	33 02
79 59	563 10	140 35	161 93
47 56	71 81	44 76	35 44
3 18	13 03	0 50	1 35
5 46	12 38	3 10	1 94
3 38	15 84	5 55	5 08
1 84	10 86	1 09	2 65
0 67	1 87	0 67	0 54
4 26	50 83	43 39	45 15
6 92	38 82	12 17	10 73
35 78	115 09	22 01	16 64
2 43	4 62	0 50	0 64
	33 41	20 77	16 73
13 78	26 21	2 15	3 42
8 69	42 33	2 50	4 70
0 61	30 86	6 54	5 54
1 02	8 83	3 44	3 02

# OPERATIONS

Provinces and States					Number of Societies	Member-ship	Owned Capital	L.
					No.	No.	Rs. lakhs	Rs. lakhs
<b>ALL-INDIA</b>	..	..	..	..	112,951	3,575,470	1,329.08	16.
Madras	..	..	..	..	10,877	666,387	183.13	7
Bombay	..	..	..	..	4,796	232,282	163.10	9
Sind	..	..	..	..	732	24,837	25.83	2
Bengal	..	..	..	..	36,093	882,056	254.42	7
Bihar	..	..	..	..	5,791	142,352	23.72	1
Orissa	..	..	..	..	2,680	96,450	16.62	
United Provinces	..	..	..	..	5,151	123,000	63.18	
Punjab	..	..	..	..	16,372	522,075	312.17	17
Central Provinces and Berar	..	..	..	..	5,596	72,010	20.98	
Assam †	..	..	..	..	1,080	25,804	8.40	
North-West Frontier Province	..	..	..	..	863	16,257	6.77	
Coorg	..	..	..	..	265	23,635	8.10	
Ajmer-Merwara	..	..	..	..	547	12,138	8.57	
Delhi	..	..	..	..	181	4,118	1.12	
Mysore	..	..	..	..	1,664	83,130	35.62	10
Baroda	..	..	..	..	907	27,281	14.80	17
Hyderabad	..	..	..	..	10,615	348,653	75.14	4
Bhopal	..	..	..	..	276	8,667	2.09	0
Gwalior	..	..	..	..	3,716	68,862	31.70	1
Indore	..	..	..	..	904	20,036	11.49	0
Kashmir	..	..	..	..	2,646	49,984	33.33	0
Travancore	..	..	..	..	1,092	114,800	24.44	5
Cochin	..	..	..	..	107	10,656	4.36	3

† Relates to the year 1944-45.

# AUDIT CLASS

Provinces and States.	A		B	
	1938-39.	1945-46.	1938-39.	1945-46.
Madras .. .. .	3.0	3.1	15.4	19.7
Bombay .. .. .	5.5	13.2	25.2	35.9
Sind .. .. .	1.7	4.1	28.8	11.2
Bengal .. .. .	0.1	..	1.3	0.7
Bihar .. .. .	0.9	0.9	6.4	5.1
Orissa .. .. .	0.4	0.1	2.8	2.7
United Provinces .. .. .	0.1	..	1.5	0.9
Punjab .. .. .	2.2	4.8	14.2	22.5
Central Provinces and Berar .. .. .	0.3	0.1	5.2	5.0
Assam* .. .. .	0.6	0.6	5.7	5.0
North-West Frontier Province.. .. .	1.6	0.5	8.1	5.3
Coorg .. .. .	15.7	60.0	43.6	30.9
Ajmer-Merwara .. .. .	2.1	3.0	25.9	26.9
Delhi .. .. .	..	16.8	19.2	30.5
Mysore .. .. .	..	12.6	..	26.6
Baroda .. .. .	..	27.9	..	29.8
Hyderabad .. .. .	..	1.3	..	9.4
Bhopal .. .. .	..	..	..	..
Gwalior .. .. .	..	..	..	3.7
Indore .. .. .	..	..	..	..
Kashmir .. .. .	..	1.5	..	17.4
Travancore .. .. .	..	3.3	..	12.8
Cochin .. .. .	..	13.5	..	28.5

\* Figures relate to 1944-45 instead of 1945-46.



APPENDIX No

OPERATIONS OF PROVINCIAL

1938-39 AND 1940

Capital	Borrowed Funds		Deposits		Working Capital		
1945-46	1938-39	1945-46	1938-39	1945-46	1938-39	1945-46	1938
Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs
302 66	14 58	24 50	1072 83	2,162 79	1,285 13	2 489 97	583
52 14			202 16	350 97	236 45	403 11	142 3
43 95	0 43		192 07	650 55	224 46	694 50	115 5
22 99			74 09	142 57	84 73	165 56	19 4
82 68			205 03	234 27	248 10	316 95	84 2
10 99	14 00	23 80	68 29	79 20	96 30	113 99	18 64
10 00		0 70		36 00		46 70	
35 51			125 49	338 40	147 94	373 91	91 97
15 49			148 27	194 93	166 84	210 41	94 40
1 58			2 99	1 24	3 85	2 82	1 05
4 29				14 32		18 61	
2 12				8 28		10 40	
4 69	0 15		25 38	35 23	31 02	39 92	5 23
16 25			29 81	76 84	45 44	93 09	10 62

APPENDIX No 2

## OPERATIONS OF CENTRAL BANKS A

1938-39 AND 1945-46

No.	Paid Capital	Borrowed Funds		Deposits		Working Capital		Total
	1945-46	1938-39	1945-46	1938-39	1945-46	1938-39	1945-46	
	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	L
26	845 12	442 21	396 22	1,231 12	3,266 16	2 912 19	4,507 50	1
21	145 22	68 31	96 90	383 72	755 40	566 24	997 52	
72	75 41	10 00	18 52	238 63	605 89	299 34	699 82	
32	200 03	140 24	122 00	260 41	266 99	529 27	589 02	
78	8 70	52 20	6 18	82 22	24 20	164 50	39 08	
87	14 66	7 33	4 54	39 42	43 36	60 62	62 56	
98	52 99	4 21	11 90	58 00	93 96	102 19	158 90	
73	160 39	53 86	49 77	476 50	991 45	657 13	1 206 61	
41	50 90	44 07	18 86	109 93	100 98	243 41	170 74	
90	4 89	2 32	0 77	15 80	8 96	23 17	14 62	
53	3 81	0 29	1 48	8 48	25 03	10 40	30 32	
4	5 14	2 14	0 07	16 96	5 81	27 45	11 02	
7	4 97	0 03	1 33	11 60	20 41	14 65	26 71	
96				4 43		5 39		
56	0 36	0 20		0 27	0 01	1 03	0 37	
74	8 94	0 23		8 73	15 21	14 91	24 15	
5	36 20	16 15	13 32	24 30	53 78	65 10	103 30	
7	4 95	2 19	1 88	0 31	0 48	7 67	7 31	
	18 29	30 58	28 73	15 54	49 76	60 38	96 78	
	2 58	2 14	1 54	21 57	95 45	71 12	26 75	

APPENDIX No. 7

## OPERATIONS OF NON-AGRICULTURE

1938-39 AND 1945-46

Owned Capital		Borrowings.		Deposits		W
1938-39	1945-46	1938-39	1945-46	1938-39	1945-46	193
Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	L
828 52	1,169 22	96 46	76 29	1 429 27	2,526 51	2,36
146 56	183 18	29 10	26 70	241 77	419 62	41
212 72	374 08	11 74	16 91	378 69	1 013 20	60
30 04	32 60	2 78	0 89	96 74	148 06	121
180 95	249 98	4 39	4 12	356 67	500 90	575
26 53	26 19	3 11	0 37	28 40	32 76	58
3 09	5 19	0 09	0 09	5 37	14 84	8
31 20	42 02	3 05	4 80	32 20	36 06	66
43 80	47 83	19 57	7 44	59 58	70 92	122
12 91	10 92	0 79	2 45	6 13	13 41	19
7 40	6 51	0 55	0 04	18 62	13 09	26
1 19	0 78	0 06	0 03	2 30	0 35	3
1 48	2 23	0 37	0 43	0 71	2 60	2
2 69	3 74	0 72	0 63	8 63	9 11	12
4 04	8 37	0 83	0 15	7 52	17 46	12
53 20	75 96	4 98	1 51	75 71	110 93	133
6 68	13 68	0 83	0 54	25 86	70 36	33
37 03	49 83	4 78	4 44	27 64	66 18	69
0 06		0 04				0
0 86	1 61			0 06	1 56	0
7 75	10 52	0 52	0 42	17 11	22 93	25

## OPERATIONS OF NON-AGRICUL

1938-39 and 194

Membership		Owned Capital		Deposits		Borrowings	
1-39	1945-46	1938-39	1945-46	1938-39	1945-46	1938-39	1945-46
sands	Thousands	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs	Rs Lakhs
1 46	3 435 45	996 66	1 867 55	1,542 55	2,970 21	184 21	426 17
1 97	919 66	169 78	410 44	247 40	457 95	56 98	280 79
1 78	595 71	257 63	488 90	437 66	1 103 03	38 19	39 96
1 90	43 03	36 92	52 28	102 35	154 66	11 83	2 92
1 83	538 80	199 16	280 55	393 57	519 87	11 20	12 65
1 05	39 42	25 94	30 43	27 12	33 78	4 47	1 09
1 56	42 30	3 81	25 67	5 75	17 01	1 14	10 21
1 48	118 80	34 00	52 48	33 69	43 42	4 58	10 73
1 83	261 37	83 34	151 26	64 51	83 75	23 07	12 41
1 20	98 46	14 13	25 82	8 39	30 10	1 65	5 52
1 20	148 57	8 00	34 01	19 37	88 90	0 64	0 43
	2 44	1 48	1 20	2 34	0 49	0 06	0 14
	12 12	1 83	4 06	0 78	3 19	1 13	0 93
2	9 98	6 00	7 80	10 87	11 00	2 58	1 11
84	17 12	4 63	10 96	7 76	17 95	0 81	0 15
64	121 42	64 44	91 05	89 60	122 58	5 30	3 42
91	76 61	7 88	24 04	28 17	79 80	2 06	1 02
91	184 35	40 68	106 09	28 51	110 86	7 36	24 50
39		0 06				0 05	
	7 13	0 86	2 50	0 06	2 82		
	17 35	8 17	12 07	17 75	23 27	0 77	0 42